

# **Business Start-Up & One-Stop Shops: Principles for Success from Ukraine and Abroad**

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## INTRODUCTION

This study is the result of work that began in September 2001 by coalitions of Ukrainian business associations, local government, and BIZPRO project. When work was initiated, the purpose was to making meaningful reforms in five communities to the legal and regulatory environments in which small- and medium-sized businesses (SMEs) operate. As the work evolved, the work of the coalitions and BIZPRO became more focused in two of those communities, eventually targeting the specific processes that govern business start-up. In the end, the work resulted in the opening of two one-stop shops, one in Mykolaiv and one in Ivano-Frankivsk.<sup>1</sup>

### *Why Focus on Business-Start Up?*

Reforming business start-up processes is important because most firms in Ukraine must not only obtain the business registration certificate, but in addition obtain further specific permissions before they can legally operate. The registration and permissions processes are where significant time and costs are incurred for new and transforming firms in Ukraine, according to BIZPRO's 2001 National SME Survey<sup>2</sup> and confirmed by other similar surveys.

It is important to note that both the public and private sector participants in this process were committed to *rational* regulation. This was not an attempt to do away with all regulations, or to deny that governments have the right and responsibility to regulate certain aspects of business operation, not only for the safety of the businesses and public but also for the collection of information necessary for many government programs to operate. Rather it was a commitment to eliminate inefficient regulations, and regulations that cause irrational behav-

ior on the part of the private sector. Reforming the start-up processes by reducing the number of activities that require permissions, and simplifying those processes that remain, is a key step in facilitating business growth and reducing the size of the informal sector.

### *How to Improve Business-Start Up?*

The challenges to reforming business start-up are not unique to Ukraine. In many OECD countries it is possible to start a sole proprietorship engaged only in trade (buying and selling) without any approvals. Yet in general, many production- and service-oriented activities require at least some permissions, which vary depending on the firm's location and the specific activity proposed. As the first section of this study demonstrates, there is a general effort underway in Europe, led by the European Commission, to reduce and simplify these processes in order to improve the environment for business growth and investment.

The experience of these countries demonstrates that there are two broad approaches to creating efficient and effective business start-up regimes: (1) improving the process of applying for and receiving necessary approvals; and (2) reforming basic regulatory processes for creating and implementing these permissions. The work of the BIZPRO coalitions in Ivano-Frankivsk and Mykolaiv focused on the former – improving the process for applying for and receiving necessary documentation. The latter involves a more substantive set of reforms to national legislation in Ukraine that the coalitions are only just now beginning to address, using the experiences of their own communities to spur the policy debate.

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<sup>1</sup> BIZPRO also worked on this activity in a third location, Kherson, which will open its one-stop shop on September 17th, 2002 following the Ivano-Frankivsk model. However, because the preparation work was still on-going at the time of this writing, the experiences in Kherson are not included in the study.

<sup>2</sup> See BIZPRO's website for copies of the 2001 National SME Survey in Ukraine ([www.bizpro.org.ua](http://www.bizpro.org.ua)).

However, improving the process of applying for and receiving permissions is not as straightforward as it may sound. Indeed, there are numerous mechanisms for improving the process, any combination of which may be appropriate for a particular community. In the first section of the study, we outline some of the more common mechanisms utilized by other countries, including the mechanism of the one-stop shop.

### *What is a One-Stop Shop?*

“One stop shop” (hereafter, OSS) is not a term with any widely agreed meaning and it is uncertain precisely when the term was first used. The term most likely has its origins in municipal governments in the USA from the 1970s, who set up centers to improve some of the most common administrative services requested by citizens. Over time the aspirations for these centers has broadened to include the actual transaction of government formalities required for business start-up, incorporation and other regulatory compliance.

In their origins, OSSs were intended to be centers at which SMEs could find all the information they need about government and business services in one place. However, no matter how effective their structure or operation, no OSS (or any other single business support institution) can hope to answer all SME questions in only one location. The SME sector is too heterogeneous. Its problems and opportunities are too diverse, and its entrepreneurs too idiosyncratic to satisfy within the walls of any single institution.

For the purposes of this work, then, we consider a one-stop shop to be *any institution that unites government officials from different departments in one location to provide improved information and/or services to its citizens.*

### *The Goal of This Study*

The purpose of this study is to provide direction to Ukrainian local officials and business associations who are working to simplify the environment in which businesses operate by:

1. Analyzing the various approaches to simplifying business start-up which have

been utilized by the international community, including the use of one-stop shops; and

2. Examining two Ukrainian case studies which demonstrate that communities are empowered by Ukraine’s current legislation to make those improvements, and which provide specific lessons-learned from their experience of creating two working one-stop shops in Ukraine.

The study has the following structure:

In the first section, we discuss the various mechanisms that have been utilized around the world to improve the process of applying for and receiving the necessary documents for business start-up. We summarize these approaches into four different categories of reforms:

- procedural reforms;
- reforming the collection of information from and the dissemination of information to businesses;
- reforming the way in which various branches of government cooperate and coordinate, and
- improving interaction with the private sector through physical co-location of various branches of government.

The second section takes a closer look at this last category of reforms-co-location, or, the creation of one-stop shops. The section includes information on four best practices from Spain, Portugal, and Italy, and the U.S.

In the third section, we discuss the general business climate and environment in Mykolaiv and Ivano-Frankivsk that led to the decision to establish OSSs in those communities, and we provide a detailed case study of the experiences of both Ivano-Frankivsk and Mykolaiv. Each case study includes background on the city, an introduction to the coalition of the public and private sector that established the OSS, a chronology of the actions taken by the coalition, and a description of the results of their actions.

In the fourth and final section, we provide a list of general principles that can be taken from the Ivano-Frankivsk and Mykolaiv

experiences, as well as the international experience. This list of principles is intended to guide future communities in establishing their own OSS.

### *A Note of Caution*

It is the firm belief of the authors, and indeed of those individuals in Mykolaiv and Ivano-Frankivsk with whom we worked, that there is no one model, no one way, no one approach of establishing OSSs in additional communities that will suffice. The information and advice included in this study is *not meant to be literally applied to different communities*. In fact, we try to point out both the strengths and the weaknesses of the approach and final product in the two communities, with the hope that new communities will draw from the general principles of the Ivano-Frankivsk and Mykolaiv experi-

ence. We have included samples of regulations and operational procedures only to spur the thinking of new communities. It is not our intention that new communities transplant the documents and processes from either Ivano-Frankivsk or Mykolaiv verbatim, without considerable attention paid to the current state of the business community in that location, the level and type of political support for the creation and maintenance of a OSS, and the particular personalities of the individual government representatives and business-people involved. We reiterate throughout this study that we hope the findings included herein should provide broad guidance for communities interested in undertaking similar endeavors in their community, and that in the future there will be numerous OSSs operating in Ukraine, each a unique reflection of the needs and resources of the community.



# **SECTION 1: International Experience in Simplifying Business Start-Up**

There are many options for reducing the time and cost involved in business start-up, including reducing the overall number of steps required, reducing the number of administrative bodies involved and setting time limits on procedures, to name only a

few. This section of the study provides examples of international experience in using 10 different approaches to simplifying business start-up, which can be grouped according to the following typology.<sup>3</sup>

<b>Procedural Reforms</b>	<ol style="list-style-type: none"> <li>1. Reduction/Simplification of Procedures</li> <li>2. Establishing Time Limits/Silent Consent Provisions</li> </ol>
<b>Improved Collection and Dissemination of Information to and from the Private Sector</b>	<ol style="list-style-type: none"> <li>3. Increasing Transparency about the Procedures</li> <li>4. Information Centers and ICT</li> <li>5. Counseling</li> <li>6. Facilitation</li> </ol>
<b>Improved Government Cooperation (Public-Public Cooperation)</b>	<ol style="list-style-type: none"> <li>7. Coordination of Forms and Procedures</li> <li>8. Inter-Agency Coordination</li> </ol>
<b>Improved Public-Private Cooperation</b>	<ol style="list-style-type: none"> <li>9. Virtual Coordination</li> <li>10. Physical Co-location</li> </ol>

**PROCEDURAL REFORMS**

***1. Reduction/simplification***

Many governments confuse the need to identify businesses with the need to authorize and regulate specific economic activities. As a result many business activities, which pose no threat to public health, safety or order, require the same approvals as far more sensitive activities. Governments that have re-examined this situation to eliminate unnecessary permissions<sup>4</sup> have found much potential for reduction and simplification.

Italy now has only one ‘unified permission’ for starting a new industrial plant. This replaces 43 previously needed authorizations (varying in number and procedure depending on the particular industrial activity involved). Portugal has also developed a unified legal framework for industrial plan establishment, with all rules, forms and procedures gathered in one single regulation, known as REAI. Greece, too, has created a unified administrative system for installing, constructing and operating industrial plant (under National Law 2516/97).

<sup>3</sup> Much of the information in this section is taken from two papers prepared by DAI’s London-based subsidiary, Bannock Consulting. The two papers, *Best Practices in One Stop Shops for SME Development and Good Practice in Reducing Administrative Barriers* were written in March 2001 for a contract with the British Department for International Development (DFID). Many thanks to the authors for sharing them with us.

<sup>4</sup> The term “permissions” is used here and throughout the study to encompass all permits, licenses, patents, authorizations, and other such approvals required to start business activity.

Victoria state, in Australia, has been at the forefront of efforts to reduce administrative costs for businesses. Under Australian law the state governments have wider and more extensive legal authority than the Commonwealth government. Between 1987 and 1998 Victoria reduced the number of business regulations from 1241 to 432. The state has eliminated 126 of the 482 licensing requirements in force before 1992.

Some governments, as in Victoria, Australia, have imposed “sunset clauses”, which mandate that all regulations expire after a fixed time period. In Victoria all regulations have a 10-year sunset. At that time they expire unless they are reviewed and updated to reflect changed circumstances. (Most support such sunset clauses, but there are some regulatory reformers who argue that this builds instability into administrative systems that ultimately costs businesses.)

Poland’s new Business Activity Code, which took effect in 2001, reduces a system of some 35 licenses and about 40 types of permits to 8 licenses and approximately 12 situations in which permits must be obtained. The code also stipulates that conditions for granting permissions and for losing permissions should be specified in Acts, and not in lower ranking legislation. The intention is to give greater stability and predictability to those regulations that remain.

Hungary has undertaken two comprehensive deregulation reviews since 1989, which have eliminated hundreds of legal provisions, many of which affect economic activities. From 1989-91 deregulation occurred through a highly centralized process involving two deregulation councils, one for economic regulations and one for public administration regulations. From 1995-98 a more extensive and decentralized process was conducted (coordinated by a central unit), which included a three-year planned schedule of ministerial submissions and public consultation. During this second phase the civil code was reviewed in its entirety. This review was organized through working groups that not only amended and removed sections, but also re-organized whole texts when necessary.

### 2. *Time limits and silent consent*

A number of countries involved in reforms of business start-up are setting maximum handling times for applications for permissions. The time limits are set in government directives or statutes, and are backed up by appropriate incentives for government personnel (such as performance bonuses). Countries take various approaches to setting these limits. Some set internal goals for the permitting authority only. Others add external goals, publicly presented in the form of general directives. As noted above, some countries lower barriers further by applying the principle of “silent consent” to all applications not responded to within the maximum time period.

For example, Italy has replaced more than 95 percent of its certificates and other permissions with “self-declarations.” In cases where no Environmental Impact Assessment is involved the entrepreneur merely files a “notification of the beginning of an activity” with the local authority. After an established limit of time since notification, the permission is automatically granted. This principle of “silent consent” has replaced more onerous licensing and authorization for 194 of Italy’s industrial activities.

Portugal’s REAI procedures set precise and binding time limits for all actions by permitting authorities. All requests for additional clarifications or elements missing in the application must be made within 10 days. The territorial administration authority must issue location authorizations within 45 days. The co-ordination authority for an application for new industrial plant has 8 days to send copies to relevant public agencies to solicit their comments, these agencies have 60 days to issue their comments, and the coordinator then has 30 days after collecting all statements to issue formal approval. In any cases where a response does not occur within the stated time limits, the coordinator takes this as silent consent.

Poland’s new regulations on business activity allow for the issuance of “permit promises”, through which authorities can allow an entrepreneur to begin work while an applica-

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tion deemed likely to succeed is in process. This has proven helpful in cases where the application is strong, but where there are delays in producing some documents.<sup>5</sup>

Under Hungary's General Rules of Public Administrative Procedures Act, authorities must formally decide on an application within 30 days of its submission. Hungary also has launched a benchmarking exercise to assess its 1460 different authorizations, with a view to reducing their number and simplifying/consolidating procedures.

In the German state of North Rhine-Westphalia, while the government has not imposed time limits on permissions, it has set goals for responding to firms' problems with administrative compliance. The state has set up a "back office" which promises to respond within 3 days with answers to administrative problems.

### **INFORMATION COLLECTION/DISSEMINATION**

#### **3. *Transparency***

In addition to setting time limits, many governments have taken further steps to make permissions processes simpler, more predictable and more positive experiences. Many, like Ireland (as a part of its Partnership 2000 initiative to reduce administrative burdens), have introduced Codes of Practice for government departments. These are readily available public documents that state how that department should be serving the people, and what standards of service the public should expect when it meets with its officials.

Latvia's new regulations on licensing and other permissions specify which government institutions require licenses for which activities, and sets out a common administrative procedure for all licensing. Each ministry implementing permissions must establish a Licensing Commission to prepare and pub-

lish criteria for these permits. These commissions must produce applications forms, which state all documents required to obtain permission, and no additional documents may be requested during the application process. The Ministry of Finance issued a companion regulation in 1998 setting fees for permissions processes based on costs of processing applications. This regulation specifically bars authorities from using fee structures to provide for other budgetary considerations. Permits must be valid for at least one year, and for no more than five years.

Norway has decided that all state agencies should establish "service declarations". These should describe the administrative services provided to the public, including the contents of the service, the procedures involved in obtaining the service, and time required for delivery upon receipt of application.

As noted above, many governments, whether or not they have established time limits for processing permissions, have published codes of practice that set goals for maximum handling times. These are top-down measures implemented through the support of senior government officials convinced of the importance of reducing administrative burdens. In those cases where administrative change has been most profound, these codes have been accompanied by more bottom-up oriented measures, such as training for local officials in improving services for the public. A good example of this is found in Quebec province in Canada, where the Ministry of Environment has instituted mandatory and elective continuing education for all staff, aimed at raising performance standards in permit issuance and enforcement. This training has brought processing time for low complexity environmental industrial permits to under seven days.

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<sup>5</sup> A common problem encountered in many parts of Poland is difficulty in producing original documentation relating to land title, due to extensive damage to many Registry offices during the Second World War. The permit promise allows entrepreneurs to begin business in cases where land use rights do not appear in question, while efforts to reconstruct local property records continue.

#### **4. Information centers and ICT**

The goal of government-sponsored business information centers is to be a useful first information stop for entrepreneurs with questions about how to start or change a business (or how to make a firm more legitimate in compliance with rules and regulations). One way in which governments try to improve access to business information is through the use of information communication technologies (ICT).

The most common use of ICT is to provide information through the Internet on start-up requirements (including sample forms), so that entrepreneurs can prepare without having to take time off to visit government agencies. Denmark is notable in that it has created a single Internet directory of all electronic government forms ([www.indberetning.dk](http://www.indberetning.dk)). This system presently has over 1000 central government forms, with more added each day. The Ministry of Trade and Industry, which hosts the site, is trying to extend the service to include local authority forms.

The Internet is not the only new technology that can expedite start-up. In Finland officials responsible for building permits, who often are out of the office doing on-site inspections, have been issued mobile telephones. These contact numbers are given to entrepreneurs so that the officials can handle enquiries during most of the working day.

Many governments are developing electronic document transfer systems so that entrepreneurs can file applications to several authorities from a single site. In most instances these sites are in “one-stop shops” or offices of municipal authorities and business chambers. In some of the more Internet-use-intensive environments, such as in the Scandinavian countries, efforts are underway to enable entrepreneurs to file required information directly from their personal

computers. In Denmark, the [www.WebReg.dk](http://www.WebReg.dk) service allows businesses to file annual information required for many public authorities.

In all the above cases the implementing authorities must first institute legal reforms that authorize the use of electronically transmitted forms in official processes.<sup>6</sup> The authorities also must establish technical systems to produce electronically verifiable signatures and to permit secure transmission of confidential business information. These ICT-based measures can substantially reduce compliance costs for small firms. However, while technically practical, they are not always simple to implement. Moving to electronic document certification and transmission is a great threat to Notary Public-based transactions systems, such as those that predominate in much of Eastern Europe.

#### **5. Counseling**

Many countries provide initial counseling services to assist firms in start-up. In most cases this counseling is completely separate from the official review of an application, but when done well it can save the entrepreneur much time and effort, and can increase the likelihood of a quick start-up. These are brief services to ensure the entrepreneur understands the basic administrative requirements, and generally are offered free of charge.

For example, in San Antonio, municipal authorities offer entrepreneurs a meeting with a Site Development Briefing Team (which officials also refer to as their “economic development briefing team”). The team provides the entrepreneur with an overview of the administrative procedures necessary for his/her particular project. The team consists of representatives from the following authorities (as appropriate): Planning Department, Building Inspections Department, Fire Department, Public Works Department, City Public Service (electricity and gas), San Antonio Water Systems, Police Department, Health Department, Texas

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<sup>6</sup> Portugal is a good example for specific legal reforms to promote ICT-based permissions transactions. In April 1999, a Council of Ministers resolution made it mandatory for public authorities to make information about administrative procedures available on the Internet. Other recent decrees have abolished the use of fiscal stamps, have enabled photocopies (rather than legally certified copies) to be accepted in many processes, and have enabled registry services to accept documents sent by fax.

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National Resources Conservation Commission, and other departments as required. The briefing takes one to four hours, and can be convened on five days notice. As with meetings for other countries, this briefing does not take the place of the regular approval process, but it helps to establish a project timeline, makes introductions to relevant public officials, and gets specific questions answered about how the project can be developed.

Several countries offer more structured, coordinated sessions in which entrepreneurs can meet with their regulators and discuss their project in more detail. Many of these focus on environmental issues. In Quebec, potential industrial investors can have pre-investment roundtable meetings with municipal authorities and Ministry of Environment officials. Unfortunately, the municipal and provincial authorities meet separately with the entrepreneur. Nonetheless, these consultations have provided timely information exchange, and result in guidelines for successful and timely applications.

In Georgia (USA), the state Environmental Protection Division offers all prospective industrial investors a “new industry team” conference to discuss the project before the formal permissions process begins. This team consists of in-house industrial and technical experts who explain the regulations and procedures, and who explain about emissions, effluent and other matters specific to that industry. The conference serves as an initial screen for entrepreneurs, giving them a sense of what will be required to obtain necessary approvals, and how long the process will take. It also identifies at an early stage all key information that should be provided to expedite the process.

### **6. Facilitating permissions**

Portugal goes one step further than the above-mentioned countries – its Business Formalities Centers (CFEs) provide a coordinator who is assigned to the potential industrial entrepreneur during the formal permissions process to facilitate all administrative procedures. These coordinators are empow-

ered by the regional economic development authorities (Direc3ro Regional de Economia, or DRE) to guide the entrepreneur from preliminary information provisions, through formal permissions requests, to final authorizations for plant operation. The DRE representative collects formal statements and contributions directly from relevant official bodies (Environment, Labor, Health and Safety). Where complex issues are involved, the representative contacts relevant authorities to clarify requirements to be met. Meetings with the entrepreneur are organized, if necessary. The DRE representative coordinates all site inspections and ensures that the authorities involved issue a joint and formal statement.

Portugal’s system, while promising, is not perfect. In many cases, for example, the entrepreneur needs to submit the same documents and information to different authorities to obtain permissions for industrial operations and plant construction. However, the process of facilitation through DRE representatives is educating bureaucrats about these areas of duplication and inefficiency, thereby promoting further administrative reforms.

## **GOVERNMENT COORDINATION (PUBLIC-PUBLIC COORDINATION)**

### ***7. Coordinating forms and procedures***

Norway in 1995 established a Central Coordinating Register for Legal Entities to enable company information collected in official questionnaires to be stored in one place, but available to all public authorities. In November 1997, Norway took a second step more focused on simplifying paperwork and reducing administrative costs for firms by establishing the Register of the Reporting Obligations of Enterprises (*Brunnusundregistrene*). All authorities must send all forms used for requesting information from businesses to this central register, which compares them. If two or more agencies ask the same question of the same time of company, the agencies are asked to coordinate their information collection so that firms need provide the data only in one form. The Act establishing the Register mandates that

agencies must coordinate in such cases, and provides for a ministerial level Co-ordination Committee to assist if the agency cannot agree on how to proceed.

Initially the Register is restricted to reporting obligations for central authorities, but the next planned step is to include forms from county municipal and municipal authorities. The Registry is also empowered to examine reporting requirements and recommend simplifications to existing procedures. Simplifications can include better adapting the forms to specific industries, adjusting the frequency of questions to periods when data is more easily available, or collecting information from another public body. As of 31 December 2000 the Register had coordinated reporting in 62 cases, saving an estimated 61 person-years of labor time.

## **PUBLIC-PRIVATE COORDINATION**

Different countries are using a variety of measures to speed up start-up processes by getting officials from different agencies to work together. These measures vary in the extent to which the cooperation is mandated, and the extent to which the co-ordination of agency actions is an actual part of the start-up process (as opposed to an optional procedure available to entrepreneurs).

### **9. Virtual Coordination**

Denmark's system of requiring central government authorities to provide all electronic versions of forms to a central information website is an example where government cooperation was accomplished electronically. However at this point the cooperation has no direct bearing on the permissions process since separate agencies independently review completed forms and make independent decisions on permissions.

### **10. Physical Co-Location**

Italy's system of a "services council" is the most extreme system of mandated coordination of which we are aware, placing authority for all permissions in one place (the municipal government), and giving power to those in authority to *require* coordinated action by all relevant parts of government to expedite these processes.

Under new laws passed in Italy in 2000, many existing permissions procedures were abolished. The Italian one-stop shops replace these procedures with a single administrative action, called a council of services (*conferenza di servizi*). The council is a meeting, called by the municipal authority (which has the final decision over the permissions), attended by representatives of all agencies relevant to the application. The meeting discusses the application and reaches one simultaneous decision. As noted earlier in this paper, such councils replace other administrative procedures for all projects not involving complex environmental review. The council successfully eliminated the veto powers individual agencies previously held over applications, which had frustrated the efforts of many Italian entrepreneurs to formalize their activities (and contributed to one of the larger informal sector economies in the European Union).

The next section looks at this last mechanism – physical co-location – in more detail.



## **SECTION 2: International Experience in One-Stop Shops (OSSs)**

As already discussed, policymakers from Europe, Latin America and other regions, seeking to encourage new business creation, have promoted the notion of “one-stop shops” as one of many ways to achieve this goal. By establishing single locations where new businesses can carry out all the administrative steps necessary to being their work, and by using new technologies (such as the Internet) and new legal authority, several institutions have achieved this goal, and others are close to achieving it. Many of these institutions offer additional services for small firms, although the numbers and types of services vary widely.

Few European OSSs offer administrative services beyond basic incorporation, but many offer information to assist firms in obtaining permits, authorizations, licenses and other permissions from other institutions. The table below provides information on the extent to which various types of OSSs have developed in various OECD countries.

The table shows that SME promoters in different countries have taken a wide range of approaches in trying to cluster key services for the sector in one place. The USA (at a national level), Belgium (VIZO), Greece, Ireland, Sweden and the European Commission take more of a “first stop” approach, offering what are deemed essential services for many firms. When success-

ful, these establish a reputation in the business community as the first place to go with questions or problems, even if solutions require other visits to other places.

Finland, the Netherlands, some German Länder, and Spain take the notion of “one stop” more literally, offering entrepreneurs facilities to incorporate their businesses all in one location. They may or may not offer many other business services (this varies by country). These OSSs may offer information on other permissions for starting economic activities (specific permits, authorizations or licenses which might be required), but the entrepreneur must go elsewhere to complete these additional procedures.

Italy and, to some extent, Portugal, take the “one stop” notion a step further. They put both establishment and permissions services under one roof, and their goal is to centralize as many administrative procedures as possible for firms. They have either physically moved government officials, or have created mandatory inter-governmental consultative processes to achieve this goal.

Even where countries do not have actual brick-and-mortar OSSs in place, they are using technologies such as hotlines and Internet portals to create “virtual” OSSs for key services. Sweden, France and Denmark are all moving in this direction.

Country/Location	Have one-stop shop?/Name	Host institution(s)	Services offered
Austria	Yes (pilot program only)	Grieskirchen local authority	Information on all legislative requirements and procedures to start a business, coordination between local agencies to improve administrative procedures.
Belgium/Flanders	Yes/VIZO (Flemish Institute for Setting Up as a Self-Employed Businessman)	Independent academic institution	General business education, training in administrative formalities, consciousness-raising for government administrators.

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Country/Location	Have one-stop shop?/Name	Host institution(s)	Services offered
Denmark	No, but there is Hotline and Internet portal service	Hotline and portal hosted at Danish Agency for Trade and Industry (Erhvervsfremme Styrelsen)	Hotline answers questions on laws, regulations, services and financing possibilities. Portal provides electronic forms for reporting.
EU/European Commission	Yes/One Stop Internet Shop	CORDIS/Euroinfo Centers (the latter distributed throughout member countries)	Website with information on how to do business in European market, product certification, procurement for public contracts, business partners, etc.
Finland	Yes/KESKUS Employment and economic development centers	Ministry of Trade and Industry, Ministry of Labor, Ministry of Agriculture and Forestry	Four sites only so far. Offer broad range of services not only to enterprise, also to agriculture and fisheries. Business advice, information on public support schemes, training. There is also Ministry of Finance/TYVI project enabling electronic filing of forms required for statutory duties
France	No		“business formality centers”, “entrepreneurship in France” and other networks moving towards one stop shop format for incorporating businesses, but progress slow. Agency for Creation of Businesses (APCE) creating on-line gateway for new firms.
Germany	No, but many Chambers of Commerce have physical information centers, and many Länder operate hotlines	Länder offices, business chambers.	Answer questions on laws and regulations, some electronic forms and Internet filing offered.
Greece	No, but have web page with administrative information	Citizen Information, on-line public administration service open to general public	Links to enterprise information at Ministry of Development, Hellenic Organization of Small and Medium-Sized Enterprises and Handicrafts (EOMEX), and Chambers of Commerce.

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Country/Location	Have one stop shop?/Name	Host institution(s)	Services offered
Ireland	Yes/Enterprise Ireland	State-supported development agency catering to indigenous industry	Information and advice on all aspects of business. Also have Enterprise Link, a telephone and Internet information service for contacts in support services.
Italy	Yes/Sportelli Unici	Municipal authorities	Offers facility for issuing all authorizations for the following administrative services: location, establishment, restructuring, enlargement, winding-up, re-starting, transformation, execution of internal works, and relocation of production units.
Netherlands	Yes (pilot program only)	Ministry of Economic Affairs is sponsor, Tax service, local chambers and local municipalities all are participating	Goal is to provide information and services to all types of enterprise, and one location for creation of new businesses.
Norway	No, but have central register for reporting obligations	Central Co-ordination Register for Legal Entities	Overview of all reporting obligations incumbent upon enterprises.
Portugal	Yes/Business Formalities Centers (CFEs)	National Registry of Collective Entities, Notary Office, Tax Registry Center, Social Security Center, and a help desk.	Centralization of many administrative procedures (but actual registering company still must be done in a regional Trade Registry Center)
Spain	Yes/Ventanillas Unicas Empresariales (VUE)	Chambers of commerce, linked to Ministry of Public Administration	Advice and facilities for completing all formalities for incorporating a business.
Sweden	No, but have hot line information services for start-ups	NUTEK	DirektSvar Internet database on specific rules applying to businesses (permits, registrations, notifications, etc). "Starting line" ( <i>Startlinjen</i> ) information on rules for starting new firm (legal form, registration, taxes, access to finance)

## SECTION 2: INTERNATIONAL EXPERIENCE IN ONE-STOP SHOPS (OSSs)

Country/Location	Have one stop shop?/Name	Host institution(s)	Services offered
United Kingdom/England and Wales	Yes/Business Links	Independent companies formed from local business support institutions, government-supporting central networking and co-ordination institution	Management advice for high growth firms No in-house administrative support services
United Kingdom/Scotland	Yes/Scottish Enterprise Network	Independent LECs (local enterprise companies) with government-sponsored central networking body	Promotion of Scottish business at home and overseas. Wide range of advice for all types of firms, with support for start-up, inward investment, export, etc. No in-house administrative services.
USA (national)	Yes/SBDCs	Federal Government in partnership with Universities, business community, state and local government (one per state and US trust territory, 58 in all)	General advice on how to start a business, doing business plans, market research, etc.
USA (national)	Yes/SBA One Stop Capital Shops	Federal Government in partnership with distressed inner city and rural communities	Range of small business services, including financial assistance, business development, training, counseling, marketing and government procurement assistance.
USA (local example)	Yes (municipal government example)	San Antonio, Texas, Economic Development Department (First Point)	Determines license and other permit requirements and helps in obtaining permissions, pre-business counseling, library/resource Center, pre-briefing for site development.

Based on the above chart, we can identify several approaches to co-location, in terms of the level of services offered. Expanding on the typology of reforms provided in Section I, we identify four types of physical co-location and coordination, which we discuss in detail below. The typology starts with one-stop shops that provide only the most basic of

services (information) and concludes with those that provide information, registration, and licenses/permits:

- Information Provision (San Antonio)
- Registration (Spain)
- Registration Plus (Portugal)
- The A to Z: Registration and Permissions (Italy)

***Example #1: A useful “first stop” approach – San Antonio Business Assistance Focus Center (First Point), USA***

In both public and private life, San Antonio has been one of the United States’ cities most supportive of entrepreneurship and small business development. The tenth largest US city in population and geographic size, it is a diverse place, with almost half the population speaking a language other than English at home. While over 20 percent of families live below official poverty levels, fewer than 10 percent receive public assistance.

In 1987, under then-Mayor Henry Cisneros, the City Council created a Committee on Small Business Development to focus on improving the environment for this sector’s growth. The city’s Economic Development Department created a number of services targeted at SMEs, including information, training, counseling, finance, and administrative services support. In 1994 the city decided to coordinate these services under one management. This involved formalizing cooperation between seven distinct (and separately located) programs of the Small Business Administration, two university small business development centers, and the local government’s economic development authority. The city formed the First Point Business Information Office (First Point) to serve as the focal point for all these and other resources, and the link between these and budding entrepreneurs.

First Point staff offer a customized *Guide to Starting Your Business in San Antonio* that puts in writing all the licenses and permits a firm will need (covering local, state and federal laws and regulations).<sup>7</sup> Trained business counselors offer 45-minute “pre-business counseling” sessions to work through this guide and to discuss other matters such as sources of capital, business planning, marketing strategies, and possible legal forms. The Center has a library of manuals on how to organize and succeed in more than 142 types of businesses. Advisors keep up to date on all special promotion and assistance programs (local, state and federal) relevant to

different types of businesses in the area. The Center maintains computers with software that can help prepare business plans, marketing plans and accounting systems. They computers also can be used to conduct business research on the Internet.

First Point also offers an “Economic Development Briefing” service for enterprises that will involve construction or renovation processes. This service, available on 5 days notice, provides a series of 30-minute one-on-one sessions for the entrepreneur with officials from various municipal departments (Fire, Water, Electricity, Health, Zoning, etc). The sessions are designed to reveal key issues to be addressed in obtaining required approvals. The sessions themselves do not result in permissions. Rather they get questions answered related to the site development process, help establish a realistic project timeline, and enable the entrepreneur to meet the staff who will be involved in formal approval for the project.

The strong cooperation between various public and private authorities in San Antonio enables First Point to be an invaluable first stop for entrepreneurs, where virtually all key information on how to make a business idea into reality can be obtained in one place. While few, if any, certificates or permissions can actually be obtained at this Center, its information helps to make formal approvals better understood and more readily obtained by businessmen. The Center also plays a valuable role in promoting inter-agency dialogue and public-private cooperation and making San Antonio a good place to do business.

***Example #2: “One-stop” for Registration – Spain’s Ventanillas Unicas***

Spain’s “single window for entrepreneurs (*ventanilla unica empresarial*)” network for businesses was formed in April 1999 through an accord between the Ministry of Economy, the Ministry of Housing, the Ministry of Labor and Social Security, the Ministry of Public Administration, and the Higher

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<sup>7</sup> Many firms need no general licenses or permits to start business activities in this municipality. This is a result of years of streamlining of administrative procedures, promoted by local public and private cooperation.

## SECTION 2: INTERNATIONAL EXPERIENCE IN ONE-STOP SHOPS (OSSs)

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Council of the Chambers of Commerce and Industry. The accord created a single window project under the auspices of the Ministry of Public Administration, aimed at establishing a countrywide, linked network of business registries.

This initiative built upon work begun in 1996 to create "single window" services in municipalities for commonly requested citizen services. In November 1999, the Ministry of Justice, the College of Registrars, and the Council of Notaries signed an agreement with the Ministry of Public Administration and the Council of Chambers of Commerce permitting the incorporation of notary and registrar services into the windows network. Between May 1999 and October 2000, 8 pilot windows were established in chamber offices in various municipalities.

After one year of operation, Spain's single windows reduced the time to register a new business to one day for sole proprietorships, and 17 days for other company forms. This compares to 1-4 weeks for sole proprietorships and 19-28 weeks cited in 1996 average European waiting times by the European Commission. The single windows clearly are very popular, and the government is encouraging their replication countrywide.

The single windows offer SMEs three integrated services: 1) basic information and orientation in legal/regulatory requirements; 2) advice; and 3) expediting the process of complying with legal and regulatory obligations. First, information officers identify specific requirements facing a prospective entrepreneur and the documentation and other information necessary to fulfill these requirements. These officers are the primary filter for visitors to the office.

Second, advisors consider the state of the entrepreneur and the project, and provide guidance concerning appropriate legal forms for the enterprise, options for obtaining private finance, and available public subsidies and other assistance for such ventures. The entrepreneur can choose to develop the project through the window, in which case the

advisor can also serve as a planner and expeditor.

And last, bridge/linkage officers coordinate with relevant authorities from the municipality, social security, tax and other offices to offer basic registration and incorporation services for suitable projects received at the window. These officers maintain close contact with other officials not present at the window, to expedite other administrative services for new SMEs. For example, the window in Madrid is putting together information materials on the 500 administrative procedures most commonly asked about by its clients. This information includes a general description of the procedure, and the name of the official to contact to obtain the authorization required. The window also offers to obtain required forms for many procedures within 30 minutes.

To date, the windows have established cooperation agreements with five national ministries (Justice, Housing, Labor and Social Security, Public Administration, and Economy), six communal authorities (including Madrid, Murcia, and Asturias), two territorial authorities (for Gran Canaria and Tenerife), nine municipal governments and eight chambers of commerce.

The windows do not house officials responsible for providing business certifications. Rather, they are linked electronically to key administrative bodies, so that entrepreneurs can email required documentation to those authorities through the window. This communication has been made possible by Spain's CERES (Certificatiyn Espac ola) system. This initiative, led by the National Mint, established a secure system for transmitting authenticated documents between citizens, companies and public administrations through an electronic network.

Spain's single windows focus on the initial "registration" process of obtaining a business legal form and identification number. In many countries, as in Ukraine, this process is not sufficient for starting most types of economic activity. Other permissions must be obtained before the entrepreneur can commence operations. The

Portuguese and Italian one-stop-shop initiatives also address these other administrative processes.

### ***Example #3: Registration Plus – Portugal’s Business Formalities Centers (Centros de Formalidades das Empresas, CFEs)***

IAPMEI, the Portuguese SME Agency, set up two pilot Business Formalities Centers (CFEs) in October 1997 in Lisbon and Oporto. The CFEs physically brought together departments from five different ministries under one roof. They made it possible for entrepreneurs to contact, in one place, all the authorities involved in setting up companies, amending articles of association and related procedures. The CFEs also promoted co-ordination between departments, cutting the time needed to complete procedures.

After 5 months pilot experience the Government decided to replicate the CFE scheme countrywide, creating a national network. This network now has 7 municipal CFEs and one branch office. Three centers have a local host organization, either a local chamber of commerce or another business association, which provides premises and equipment. The others are hosted in regional IAPMEI offices. On average, each CFE has 22 to 25 staff. These include technical advisors from IAPMEI, and officers from the following other government authorities: National Registry of Corporate Persons (a branch of DGRN, the national statistical/registry authority), Notary Office (another part of DGRN), a branch office of the General Directorate of Taxes, a branch office of the Regional Social Security Office, a Companies Registry Support Office (another part of DGRN), and a branch of the Caixa General de Depósitos. All these officers report to their respective parent organizations, with the manager of the CFE coordinating their work.

The CFEs work in a three-step system with entrepreneurs, focusing on business incorporation. On the first visit the entrepreneur

obtains a certificate of acceptance for the company’s name, along with a provisional corporate identity card. On the second visit a date is booked for obtaining a deed of incorporation. On the third visit the deed is executed with the notary, the company formally declares to tax authorities that it is starting business, registers with social security authorities, and applies for registration with the Companies Registry (which includes public publication of its articles of association and receiving an official corporate identity card).<sup>8</sup> All fees are paid at a bank branch located inside the CFE.

The national network of CFEs has a manager who reports to the Ministry of the Economy. An inter-Ministerial board monitors CFE experience, sets and modifies (as necessary) procedural rules for the centers. These are embodied in a Procedures Manual. This manual was reviewed and revised four times during the first 28 months of CFE operations. The CFEs are connected to each other through a computer network, which allows electronic transmission of documents. They are not, however, linked to main offices of the ministries represented at the centers.<sup>9</sup>

The CFEs effectiveness depends on creating a spirit of cooperation between the various departments present at the centers. These departments are not mandated to co-operate; they still report to their respective home offices. It is the task of the Center manager to make cooperation occur. The CFE network uses annual staff meetings to promote teamwork and to recognize cooperative achievement. IAPMEI provides training to all staff in questions relating to company law, licenses and permits, computing, marketing, inter-personal relations, and other topics. Client reactions and monitoring reports indicate the centers are developing a more cooperative “can do” attitude.

While the CFEs were not originally intended to undertake specific business permissions, authorizations and licensing procedures, their model of inter-governmental cooperation has begun to affect these processes. The

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<sup>8</sup> This Registry, part of the Ministry of Justice, is not located at the CFE.

<sup>9</sup> This additional linkage presumably was not deemed necessary, as the government departments are physically represented at all centers.

## SECTION 2: INTERNATIONAL EXPERIENCE IN ONE-STOP SHOPS (OSSs)

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CFE in Setúbal has initiated an experiment in running an industrial, tourism and commercial licensing services office. This office collects information on all permissions requirements and enables entrepreneurs to apply for certain licenses directly through the Center. In addition, on-the-job learning about licensing and other permissions from CFE operations has supported efforts to improve co-ordination in permissions systems as a whole in Portugal.

### *Example #4: The most complete attempt – Italy’s Sportelli Unici*

The Sportelli Unici (SU) were introduced within the framework of a wider government reform program initiated by the Prodi Cabinet in Italy. These wider reforms are devolving powers away from central government to regions and local government, reducing the size of government, streamlining administrative decision-making processes, reviewing regulations of all sorts, and improving government’s internal management systems. The reforms intend to completely overhaul an administrative system plagued by excessive division of responsibilities, overlapping roles, and unacceptable delays and corruption. The SUs wide range of activities, going beyond business incorporation to include a number of other licensing and permissions processes, are not possible without these over-arching political and administrative reforms. Two aspects of the reforms are of particular importance: 1) limiting the number of government bodies participating in decisions, giving functions and tasks relating to industrial plants from central authorities to regions and city governments; and 2) deregulating and simplifying administrative procedures involved, according to specific principles given to the Executive by the Parliament.

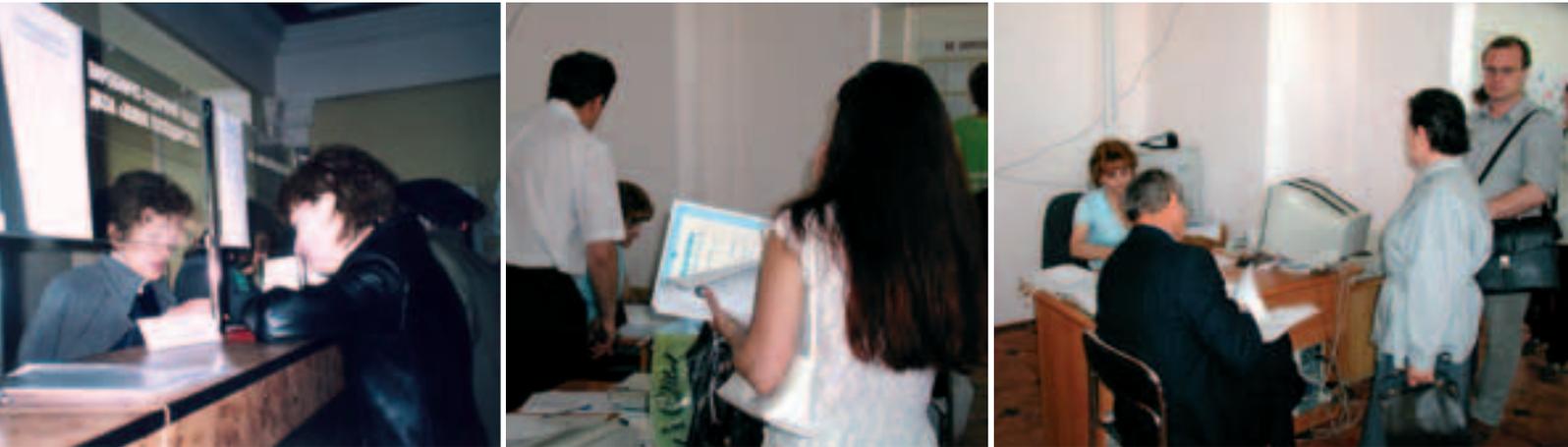
The SU began in May 1999, and nine centers were established that year. In May 2000 government issued a directive to introduce SU in all municipalities. Smaller municipalities with similar economies are combining to form inter-municipality SU. It was hoped to have SU services available to 90 percent of the economically active population by the end of 2000. From the start, these centers

were not limited to providing information and advice, or to merely incorporating businesses. The objective was to provide all administrative authorizations needed to either to locate and start-up a new industrial activity, or to expand, innovate, or restructure an existing activity. These one-stop-shops bring under one roof all procedures necessary for issuing authorizations for business establishment, location, restructuring, enlargement, winding-up, re-starting, transformation, execution of internal works and relocation of production units.

Cooperative agreements between municipal authorities and local chambers of commerce provide for setting up and running the front offices of the SU. Information technology, including Internet, facilitates document exchange and review, and makes decision-making more transparent.

The deregulation process mentioned above enables entrepreneurs to replace all needed authorizations in most cases not requiring Environmental Impact Assessments with self-declarations. In cases with such assessments the principle of silent assent has been established. In situations where several government authorities must review an application, the municipal authorities have the power to convene a “service council” (*conferenza di servizi*) at the SU to expedite decision-making. This council convenes representatives of all the departments involved to make a simultaneous decision on the application.

The SU effectively replaces some 40 different procedures that used to take place at different locations with a single, unified procedure. It uses state-of-the-art information and communications technology to facilitate applications and reviews. Coupled with deregulation legislation which sets time bounds for approvals, and which introduces the principle of silent consent, the SU are the most comprehensive attempt at reducing administrative burdens on businesses yet attempted.



## **SECTION 3: Ukrainian Case Studies**

Building on the international examples in the previous section, this section provides two examples of one-stop shops in Ukraine: Ivano-Frankivsk and Mykolaiv. These examples provide the reader with information that should help to inform efforts to simplify the business registration and approval process. This information includes the circumstances in each city that led to the opening of a one-stop shop; the actions that they took; examples of the success they achieved during the process; their future plans for the one-stop shop; and conclusions that can be drawn from their experiences.<sup>10</sup>

These case studies demonstrate the breadth of what we refer to as a one-stop shop. In Ivano-Frankivsk, the Mayor, government officials, and a coalition of business associations opened a center to simplify the process through which businesses register themselves. It does not deal with the issues of permitting and licensing, however businesses can complete the registration process at the

one-stop shop. The center consists of 8 institutions of local and regional government, as well as a representative of a business association to monitor the operation of the one-stop shop. There is an information center that addresses questions that entrepreneurs have about the registration process, as well as other services government services for the private sector. Currently, the one-stop shop is open every morning, from 8 until 12.

In Mykolaiv, the one-stop shop does not deal with registration, but instead simplifies the permitting and licensing processes for opening commercial ventures by gathering representatives of 24 local and regional government institutions in one place for 2 afternoons per week (with plans to extend this to five days per week). Their work includes providing consultations to entrepreneurs who are opening commercial entities, as well as approvals for construction, reconstruction, and health and safety inspections.

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<sup>10</sup> We have noted previously that ‘one-stop shops’ is a term that takes on many meanings. In another example of the challenges of terminology, the official titles of the one-stop shops in Ivano-Frankivsk and Mykolaiv are, respectively, ‘The Registration Chamber’ and ‘The Unified Commission for Approval of Documents Required for Obtaining Permits to Plan and Construct Objects of Public and Industrial Use and to Commence Utilization of Business Facilities.’ For clarity, we will refer to the one-stop shops as ‘Registration Chamber’ in Ivano-Frankivsk, and ‘Unified Commission’ in Mykolaiv.

## IVANO-FRANKIVSK

### CIRCUMSTANCES

#### *City Background*

Ivano-Frankivsk is a city of approximately 250,000 people located near the Carpathian Mountains in Ukraine's southwest. As of July 2002, the city had 11,859 officially registered individual entrepreneurs and 6,613 corporations (which is approximately one-third of the oblast's enterprises). Almost 82% of those enterprises are classified as small (less than 50 employees) and employ almost 25,000 residents. The small business community in Ivano-Frankivsk contributed 40% of the city's budget revenues in 2001. The small business community represents a variety of sectors – 22% in industry; 25% in construction; 34% in trade, and 2% in services. The business support infrastructure in Ivano-Frankivsk is fairly well developed. There are 18 banking institutions, 15 auditing firms, 22 insurance companies, 19 credit unions, a business center, a business incubator, and a regional business support fund.<sup>11</sup>

#### *Issues Identified*

Ivano-Frankivsk's location in Western Ukraine leads many people to assume that the relationship between public and private sectors would be stronger than cities in other parts of Ukraine. However, in the past this has not been true, as evidenced by research conducted by BIZPRO and numerous other organizations, and by discussions with entrepreneurs at roundtables throughout the city. According to a recent IFC survey of Ukrainian businesses in May 2001, 55.7% of Ivano-Frankivsk's enterprises considered the approval and registration process to be a significant hindrance, giving Ivano-Frankivsk the second worst ranking among Ukraine's 25 oblast centers. The lack of transparency and bribery during interactions between officials and businesspeople was also noted as a problem in Ivano-Frankivsk; Ivano-Frankivsk ranked 14 out of the 25-oblast centers. During roundtables

held by the BIZPRO coalition in Fall 2001, entrepreneurs complained of registration difficulties caused by unclear regulations, government agencies requiring too many documents, the process taking too long, and that the process required too many additional "voluntary" payments.

#### *Political Situation*

Local officials in Ivano-Frankivsk, particularly the current Mayor and his executive council, have been working to develop a strong relationship with the private sector, in part because of the perception of the business community as reflected in the above-mentioned surveys. For example, all regulatory and legal documents that the local government prepares are now published for public review, and comments are integrated into the final version of the document as appropriate. Within the city's budget, there is a special fund for the growth of the private sector of approximately 100,000 UAH.<sup>12</sup> Though this is only 0.1% of the city's budget, it is complemented by the implementation of a 2-year plan for the economic development of the region, developed jointly by public agencies and community members. While the BIZPRO coalition's relationship was strong with the Mayor and the Governor, it is important to note that initially they had only casual relationships, or no relationships at all, with the directors of the local and regional registration authorities.

The recent local government elections in Spring 2002 in Ukraine also played a role in the success of the BIZPRO coalition. By this point, the coalition had been working for many months and the elections provided an opportunity to push for public commitments and concrete actions before election day. Many local officials, including city council deputies and the Mayor seized the opportunity to demonstrate their commitment to the economic development of Ivano-Frankivsk through the simplification of business registration procedures and the eventual creation

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<sup>11</sup> This data was obtained from the Office of the Mayor, Ivano-Frankivsk, August 2002.

<sup>12</sup> 100,000 UAH currently equals approximately 19,600 USD.

## SECTION 3: UKRAINIAN CASE STUDIES

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of the one-stop shop. The Mayor took advantage of this opportunity by pledging to “create favorable conditions for business development, including improving the investment climate.” Based upon his work to date and his plan for the future of Ivano-Frankivsk, the Mayor was re-elected.

### *The Role of Individual Personalities*

Individual relationships and issues of personality play a huge role in the success of almost every reform activity. The same is true for the opening of Ivano-Frankivsk’s one-stop shop. The head of the coalition working on these issues already had a great deal of experience working with the Mayor and other government agencies to resolve problems facing the city. Local officials already trusted her work and knew that she would not only do a good job, but that she truly represented the interests of businesspeople in the city. Other members of the coalition were also trusted advisors to local officials, with one member of the coalition becoming a member of the Mayor’s cabinet after the elections.

### **ACTIONS TAKEN**

The process in Ivano-Frankivsk started as an NGO and private sector-dominated initiative and evolved into a government-managed process. While the private sector initiated the work that led to the creation of their one-stop shop, the continuing operation and management of that center now rests in the hands of the local government. What is described below is that transition from a private sector-led initiative to a local government-managed one-stop shop.

### *Developing and Strengthening the Coalition*

Work to strengthen the coalition continued throughout the entire period and does not fit neatly into a chronology of actions taken. Instead, needs were identified and addressed throughout the process of creating the one-stop shop.

In October 2001, 3 representatives from NGO’s and local government in Ivano-

Frankivsk participated in a BIZPRO study tour to Romania and the Czech Republic to visit several one-stop shops and examine the public-private partnerships that had been developed in those countries. While there, participants became interested in using a similar approach to simplify the approval and registration process in their own city. Upon returning, they formed a coalition to improve the business environment in Ivano-Frankivsk. This coalition represented a number of organizations that had successfully worked together with local officials in the past.

The coalition itself consisted initially of four organizations: the Private Initiative Development Agency; the Regional Union of Manufacturers and Entrepreneurs; the Association for the Economic Development of Ivano-Frankivsk; and the City Development Institute. These organizations provided the coalition with a strong base of popular opinion that lent credibility to their discussions with government officials and ensured that the coalition was addressing the needs of real businesspeople. The latter was accomplished through frequent roundtables with and surveys of entrepreneurs. A fifth organization was later added, the association of businesswomen Aktyv, in order to provide additional support to the work of the coalition.

Each member took on specific roles within the coalition including: management and coordination of coalition activities; conducting research and lobbying local officials to reform the system; providing feedback from businesspeople; and working with government officials to develop procedures to simplify the registration process. Though not officially members, several city officials worked very closely with the coalition from the beginning of their efforts, providing them with a great deal of insight and information on how they could successfully implement their ideas.

Throughout the entire period described below, the coalition recognized the value of openly sharing information with each other and with their members. They held weekly meetings to discuss on-going projects, upcoming needs, and developing documents.

Each organization was responsible for updating their membership on the work that was being conducted. Those that had newsletters published some of their findings, while others held public forums to discuss the work of the coalition with their members.

The coalition based their work on a action plan that they developed during and in the week following the study-tour to Romania and the Czech Republic. This plan identified what their goals were, what steps they needed to take to achieve those goals, when those steps would be taken, and who was responsible for overseeing each of those steps. Roughly speaking, this plan included the following steps (a copy of the plan can be found in Annex 1):

- Identifying the problem
- Gaining the support of local officials
- Working with officials to simplify the registration process
- Helping officials to implement the program developed to simplify registration

### ***Identifying the Problem***

In November, 2001 the BIZPRO coalition held a round table for entrepreneurs in Ivano-Frankivsk to discuss problems currently facing entrepreneurs and potential initiatives that the government and private sector could undertake in order to improve the city's support of the private sector. During this round table, the problem of business registration and start-up was raised as one of the most problematic within the region. Entrepreneurs complained about the lack of information about the process, the length of time required, and the amount of money needed to register.



Representative of the Coalition of public organizations monitoring the registration process in Ivano-Frankivsk OSS

The BIZPRO coalition conducted surveys of business people and registration authorities in Ivano-Frankivsk in order to draw a map of the exact registration process – both in terms of how it *should* work and in terms of how it *did* work. The research produced information on the number of steps, elapsed time of each step, and the formal and informal cost of each step. The research also showed the number of time an entrepreneurs would visit a single office, thus helping the coalition identify redundant visits that could be consolidated or eliminated.

As a result of this work, the coalition decided to begin working to achieve three goals: 1) reduce the number of documents, 2) reduce the amount of time, and 3) reduce the money required for registration. In addition, the coalition had a fourth goal of increasing the transparency of this process by reducing opportunities for bribe-taking.

### ***Gaining Support of Local Officials***

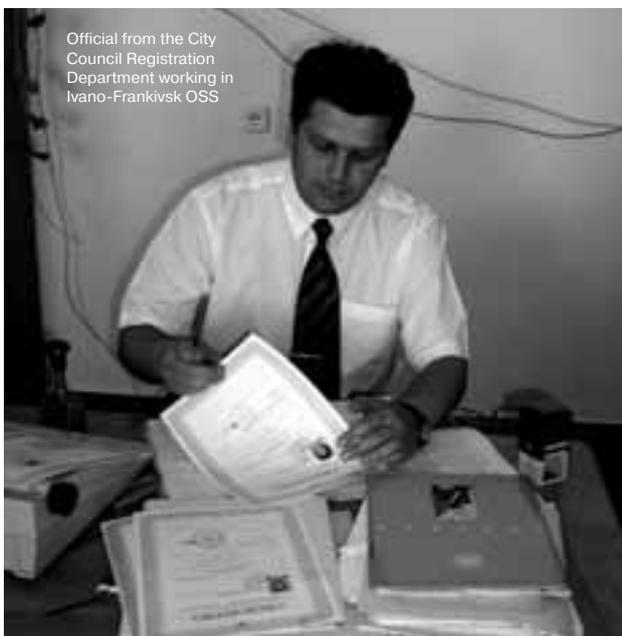
The coalition, in collaboration with BIZPRO staff, developed a series of arguments to demonstrate to local officials the importance of the problem, based upon an analysis of the current legal and regulatory structure for business registration in Ukraine, as well as the surveys mentioned above. The coalition also identified concrete incentives for the various government agencies to improve the business start-up process. These incentives included the upcoming local elections; estimated increased tax payments to the budget due to the expedited process; creating a more complete registration process with no cracks through which enterprises might fall unnoticed; and improving the image of the city. The coalition worked first with the Mayor and Governor to gain their commitment to

#### **The Story of One Official**

*An official in one of the regional agencies in Ivano-Frankivsk told a story about trying to help her friend register his business with the tax authority. Even she, as Vice-Director, didn't understand all of the procedures and documents that were required and said that if she struggled with this process, she couldn't imagine how small businesses managed. Having said that, she committed to the Mayor's proposal to simplify the process through which businesses in Ivano-Frankivsk register.*

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simplify the business registration process. By gaining this political will, the coalition would be better able to gather the support of the directors of the registration authorities for their reforms.



The coalition, working with the Mayor and other local officials, then began working with the directors of those local and regional agencies involved in the business registration process to simplify the procedures. During an informal meeting organized by the Mayor in December 2001 attended by the coalition, BIZPRO, and all of the registration authorities, each of these directors agreed that economic development was indeed a priority for the city and that business registration needed to be made simpler and clearer. They also agreed to designate one official from their agency to work closely with the coalition to develop a proposal for how to improve this process. This initiative was announced through a press conference organized by the Mayor's office to publicly declare their on-going reform efforts. The agencies involved at this meeting and throughout the process were: the city's Office for Registration; the Statistics Agency; the Pension Fund; the Fund for the Temporary Ability to Work; the

Unemployment Agency; the Police; the Tax Authorities; and the Social Insurance Fund.

### *Simplifying the Registration Process*

Based on the research that the coalition had already conducted, the coalition worked closely with the representatives assigned from the local and regional registration agencies to create a one-stop shop for business registration. The coalition, BIZPRO staff, and local officials developed procedures that conformed to current Ukrainian legislation, while simultaneously simplifying the business registration process. The coalition and local officials wanted to do all that they could to improve the registration process at the local level, rather than waiting for a solution from Kiev. Working together, the officials and the coalition developed a new process and signed a memorandum so that all of the registering officials would work together in a registration center, managed by the city's Office for Business Registration.<sup>13</sup> They also developed specific policies and internal procedures for handling documents and moving those documents from one agency to another within the registration center. The tax authorities and the Office for Business Registration also worked together to open an information center that could serve as the first stop for entrepreneurs with questions about the registration process as well as questions about where to go and what to do next. The city's executive committee officially approved these procedures on March 26, 2002.<sup>14</sup>

### *Implementing the Program*

At the same time, the Mayor's office, his Office for Business Registration, and the Governor were able to identify an appropriate location from among city-owned properties, purchase furniture, and initiate work to renovate the facility. Combined, the city's budget paid approximately 50,000 UAH to establish the registration center.<sup>15</sup> On April

<sup>13</sup> Copies of the 'old' and 'new' registration procedure can be found in Annex 2.

<sup>14</sup> The internal operating procedures of the one-stop shop can be found in Annex 3.

<sup>15</sup> 50,000 UAH currently equals approximately 9,800 USD. While not every local government will have such funds at their disposal, it should not be presumed that this is an 'exception to the rule'. Indeed, the city government in Kherson, the location of the third one-stop shop opening in September 2002, contributed 72,000 UAH in addition to premises.

30, 2002, the city opened the Registration Chamber to serve the entrepreneurs of Ivano-Frankivsk.

The table below shows the general timeframe for the stages involved in the creation of Ivano-Frankivsk’s Registration Chamber.

**Timeframe for Opening the Registration Chamber**

Key Activity	Timeframe
Study tour to Romania and the Czech Republic	October 2001
Strengthening the coalition	October 2001 – March 2002
Identifying problems	November – December 2001
Lobbying efforts	December 2001 – February 2002
Simplifying procedures	January – March 2002
New registration procedures approved	March 2002
Registration Chamber opened	April 2002

Though the opening of the one-stop shop in Ivano-Frankivsk was initiated by a coalition of business associations and NGOs, it was a process of shifting responsibility and ownership for the effort to local officials, especial-

ly the Mayor and the registration authorities. This transition is explained in the table below. The text on the left describes the general steps taken and the percentages on the right describe who managed that process.

**Levels of Responsibility for Each Phase**

Activity	Coalition–Government
Development of the coalition	100% – 0%
Identification of the problem and development of the workplan	90% – 10%
Lobbying local officials	75% – 25%
Simplifying registration procedures	40% – 60%
Operating the registration Chamber	20% – 80%

**SUCSESSES**

**1. Reduced Length of Time and Paperwork**

The most obvious success of the BIZPRO coalition and government’s work in Ivano-Frankivsk is the existence of the Registration Chamber itself. As a simple comparison, the number of local businesses registering between May-August 2001 versus May-August 2002 was 113% of the number registered in the same period in 2001, thanks in large measure to newly simplified registration procedures. For the first time, all of the government agencies involved in registering businesses are sitting together every day to process documents and address

the needs of entrepreneurs. This allows entrepreneurs to spend less time navigating the red tape and more time doing business. Previously, business registration in Ivano-Frankivsk took, on average, 28 days to find the eight different agencies to learn about the process, then submit their documents, and finally return to each location to receive their approved documents. Under the new procedures, an entrepreneur will be registered within 10 days. Rather than visiting each of the 8 agencies three times (for a total of 24 visits, minimum), they now only need to come to the Registration Chamber three times – to find out what documentation is required, to submit that documentation, and to receive their registration.

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The cooperation of these public agencies has also eliminated some duplicative requests for information from the agencies of the entrepreneurs. The Office for Registration, which is responsible for the work of the Registration Chamber, has developed a computer program that coordinates all of the common information required for registration and then enters it into every respective agency's form, thereby eliminating the number of times an entrepreneur needs to provide that information. This cooperation among agencies has also enabled simultaneous rather than consecutive registration procedures, further speeding up the process. For example, once the Statistics Office has registered an enterprise and assigned a number, it can now send that information to the Tax Authorities and to the four social insurance funds so that they can process the information at the same time.

### Results: Reduced Length and Paperwork

1. # of businesses registering constituted 113% in comparison to '02 figures
2. Reduced elapsed time for registration from 28 days to 10 days
3. Reduced # of visits from 24, minimum, to 3 visits total
4. Eliminated duplicative paperwork requests by use of common database

### 2. Increased Transparency

The registration center also has increased the transparency of the registration process in several ways. First, information about the registration process is much clearer and is now publicly available, rather than subject to changes at the will of implementing officials. Examples of this information include lists of documents that are required to register different kinds of organizations and the costs for all of those procedures, which are posted on the wall of the Registration Chamber along with copies available to take. This has eliminated the uncertainty that existed previously. There is even a defined process for complaints about the work of the Registration Chamber.

Second, the operation of the Registration Chamber has minimized the opportunities

for graft and bribery. Under the previous process for business registration, entrepreneurs were forced to ask for approvals behind the closed doors of officials' offices. This caused many entrepreneurs to make donations to the agency's "development fund" in order to receive their approval. The Chamber consists of two large rooms with no doors, behind which "donations" can be requested. Under the new procedures, individual entrepreneurs are spending 45% of what they previously paid (84 UAH, compared to 184 UAH under the previous system) and corporations are spending only 65% of the previous amount (194 UAH, compared to 300 UAH previously).

Another factor that contributes to this increased transparency is the presence of the NGO community in the Registration Chamber. In addition to providing information to entrepreneurs about business associations, they are working with the registration authorities to improve the work of the one-stop shop, to address concerns that are raised by entrepreneurs, and to identify needs for the future growth of the Registration Chamber. They do this by interviewing entrepreneurs on the quality of the services provided by the Chamber and by acting on suggestions for improving the Chamber's work from the suggestion box.

### Results: Increased Transparency

1. Eliminated 'closed doors' mentality
2. Publicly posted list of steps required, paperwork/documents required, and standard fees for each step
3. Reduced cost to 45% of previous cost (for individual entrepreneurs) and to 65% of previous cost (for corporations)
4. NGO Representative physically present in Registration Chamber to monitor work, assist with information requests, and to assist in improving work of the Chamber

### 3. Increased revenues

Most government agencies around the world, and particularly in Ukraine, act independently of one another. Given the various layers of bureaucratic administration within Ukraine, there are even fewer incentives for

regional-level agencies to work with and share information with city-level agencies. By locating these various authorities in one room, they are able to share complete information about who is registering. For the various social funds involved and for the tax authorities, this translates directly into increased funds into their budgets. According to one of the tax officials working in the Chamber, this has translated so far into 5 to 10 additional enterprises registering with the tax authorities every month. At that rate, about 100 additional enterprises in Ivano-Frankivsk will be contributing to the city's budget every year by paying their taxes. In addition, the pension fund is currently implementing an amnesty program for those enterprises that had not previously registered. As a result, approximately 50 new names are being added to the agency's lists every week!

**Results: Increased Revenues**

1. *5-10 additional enterprises registered with tax authorities each month*
2. *100 additional enterprises contributing to city revenues each year*
3. *50 new firms added to pension registry each week*

**FUTURE PLANS**

There are many ambitious goals for the Registration Chamber from all parties involved. Even though the NGOs and registration agencies donated four computers to the Registration Chamber, many of the officials would like to have improved computer connections to the databases of their departments so they could do more work on the premises of the Registration Chamber (since they are now physically located in the Chamber and not in their departments). Matching the number of computers already there, BIZPRO contributed four additional computers to the Chamber to increase the capacity of several of the agencies present. BIZPRO and the coalition are now working with the Chamber to develop a comprehensive database that will allow each agency representative to transfer data from the Chamber to the data management systems of their respective agencies.

In addition several of the agencies involved, particularly the tax authority and the social funds, have said that they would like to have seminars for entrepreneurs in order to educate them about the services that they provide in the Chamber and in their home offices. The Director of the city's Office for Registration would also like to hold a series of weekly or bi-weekly meetings and trainings for the staff of the Chamber so that they can improve their work, further coordinate their efforts, and respond to citizen feedback and complaints. Lastly, the Director would like to further coordinate with the directors of each of the registration authorities to create a management and reporting structure for each of the representatives working in the registration center so they can be held accountable not only to the standards of their home agency, but also to the standards of the Registration Chamber.

The coalition of business associations and NGOs also sees that its work is not yet complete. It would like help the Registration Chamber provide additional information about other aspects of business development in Ivano-Frankivsk, moving beyond registration to include information about receiving permits for construction projects or how to receive funding from the city government for special projects. They would also like to work with the Mayor and Governor to expand the functionality of the registration to include receiving permits for business start up from authorities such as the fire brigade, labor protection, and the sanitation and health authorities that have not yet committed to the reform procedures.



### MYKOLAIV

#### CIRCUMSTANCES

##### *City Background*

Mykolaiv is a city of over half a million people located in the south of Ukraine on the Black Sea. The city's economy is based primarily on heavy industry (more than three-quarters) – particularly shipbuilding and non-ferrous metallurgy. Over 55% of Mykolaiv's population is associated with the shipbuilding industry. However, as the large state sector contracts, small businesses in Mykolaiv have played a critical and an increasing role. In the year 2000, small businesses contributed 18% of the city's revenues; in 2001 this increased to over 20%. Small business is primarily focused on the hotel and restaurant industry (44%), construction (30%), retail (25%) and transportation services (10%). The small business community now employs more than 33,000 people in Mykolaiv. The business support infrastructure is growing – there are 57 branches of commercial banks, 7 investment companies, 2 business support funds, 12 business centers, and a chamber of commerce.

##### *Issues Identified*

In late 1999, representatives from the city and from Mykolaiv's NGO community held round tables and met with business leaders to identify the major obstacles for economic development and the growth of the private sector in Mykolaiv. From those discussions, it was clear that the primary roadblock was the complicated and confusing process for opening and establishing commercial entities. This was supported by empirical evidence from IFC's report on Ukrainian businesses, which stated that 38.2% of all firms requiring permits and permissions in Mykolaiv felt that obtaining permits and other permissions presented a "significant or major barrier." As a result, the head of the city's Union of Entrepreneurs formed a coalition with two other large business associations to simplify the process through which commercial entities are opened.

##### *Political Situation*

The city of Mykolaiv has been working to improve the climate in which businesses operate for several years and the Mayor places economic development and support for private-sector growth as a high priority. In fact, the issue of job creation and increasing the number of small and medium-sized businesses was an issue during the recent local-government elections in Spring 2002. Even though there is a special line item within the city's budget for supporting the growth of businesses, the Mayor has expressed frustration regarding the limited amount of flexibility he has over the implementation of the budget, as the real control over the budget is exercised by the city council's executive committee. The city, both the Mayor and the executive council, realizes the importance of small and medium enterprises, however. Since 1996, the contribution of the private sector into the city's budget through taxes has tripled, from 6% to 20% in 2001.

There is no doubt that, as in Ivano-Frankivsk, the elections played a role in the success of the BIZPRO coalition in creating Mykolaiv's one-stop shop. Given the increasing contributions of the private sector, many local officials took the opportunity to demonstrate their commitment to the continued economic growth of the city through the creation of Mykolaiv's one-stop shop – the Unified Commission.

##### *The Role of Individual Personalities*

Personality issues played a significant role in the work that the BIZPRO coalition in Mykolaiv undertook and in the success that they achieved. For example, the head of the coalition serves many roles, both as a representative of an NGO and as the representative for the State Committee of Ukraine on Regulatory Policy and Entrepreneurship (SCRPE). This granted him unique access to multiple layers of government and civil society and provided him with a great deal of credibility in official circles. In addition, the head of one of the coalition members was asked by the Mayor to serve in his cabinet as

Vice-Mayor. As a builder and specialist in construction for nearly 30 years, he had long been a proponent of simplifying the process through which commercial entities are opened. His new position greatly facilitated the success of the coalition and lent authority and credibility to their efforts.

### ACTIONS TAKEN

#### *Identification of Problems*

Beginning in late 2000 and throughout 2001, the BIZPRO coalition conducted research to identify specific blockages to private sector development and opportunities for reform within the current national legislation. The coalition conducted legal analysis, held roundtables, surveyed entrepreneurs in the region, and interviewing local officials. Based on this research, BIZPRO worked with the coalition to develop proposals for the revision and simplification of the regulations governing entrepreneurial activity. At this time, the coalition saw the opportunity to gather all of the organizations involved in the approval process into one location, but they did not yet have enough support for their ideas to make this recommendation.

The coalition itself consisted of 3 organizations: The Union of Entrepreneurs, the Oblast Council of Trade Unions, and the Guild of Organizers of Trade and Services in Mykolaiv. In addition, the coalition worked closely with the Vice Mayor and several of the city council deputies who were interested in simplifying the business start-up process. Though not formal members of the coalition, other organizations provided assistance to the coalition. These included an employer's association, the Noviy Vybor Youth Association, and associations of entrepreneurs from other cities within the Mykolaiv oblast. These organizations represent a broad spectrum of organizations and provide the coalition with a firm footing when lobbying before both the Mayor and Governor. One weakness that the coalition identified itself was the lack of legal specialists. This greatly impacted the approach that the coalition was able to take, limiting their ability to develop changes to local legislation and developing regulations for the one-stop shop.

#### *Creation of Working Groups*

In August 2001, the BIZPRO coalition worked with SCRPE and local officials to create four working groups of government officials, entrepreneurs, and representatives of NGOs, in order to develop specific recommendations to simplify the process through which commercial entities are opened. The working groups included representatives of relevant divisions of oblast administration, city council executive committee, oblast-level inspection agencies, law firms and businesses. From mid-August to early September 2001, the working groups met 9 times to identify procedures and requirements that were redundant or that were unnecessary. For example, the working groups were able to combine the multiple approvals required by the architectural departments into one approval. Similarly, the working groups combined the approvals required by the sanitary department and the health department.

The importance of these working groups was the legitimacy that their recommendations had with local officials. Because the recommendations made by the working groups were a compromise between all of the stakeholders (both public and private), government officials were more willing to implement the reforms than if they had just come from the private sector.



The working groups provided the coalition with another chance to propose bringing government officials into one location. They were looking at ways to improve the responsiveness of these government agencies and,

## SECTION 3: UKRAINIAN CASE STUDIES

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What better way could there be than to have them work in one place where, by working together, they could eliminate even more redundancy?

Based upon their experience with public officials in the working groups, in September 2001 the BIZPRO coalition adopted an approach that would not overwhelm government agencies with too much reform all at once. Instead, the coalition developed a staged approach, focusing first on bringing representatives from those agencies involved in the permitting and licensing process together in one working space a few days a week. After the organizations adjusted to that change, the coalition planned to shift the work of the one-stop shop to the city hall. The final stage of the work plan envisioned increasing the number of days that the one-stop shop operated and developing improved procedures that would facilitate cooperation among the representatives and further reduce redundant and inefficient processes.

### *Study Tour to Romania and Czech Republic*

As the first step in their plan, in October 2001 representatives from the coalition and local government in Mykolaiv traveled with BIZPRO staff to Romania and to the Czech Republic on a study tour to visit examples of one-stop shops and public-private partnerships. In both countries, the coalition saw best practices in how government agencies work with each other, as well as how they work with their citizens. These ideas provided the coalition with concrete ideas for how to co-locate these organizations and how to develop improved procedures for the opening of commercial entities. While on the study tour, the coalition developed a strategic plan for their goal of opening the one-stop shop for opening commercial entities. They returned to Mykolaiv prepared to share those lessons and ideas with their colleagues.

### *Lobbying Efforts*

Upon their return from the study tour, the coalition set about gathering support for their idea to set up a one-stop shop. During this early phase of lobbying and advocacy, the coalition played perhaps its greatest role.

Both the Governor and the Mayor had demonstrated support for the efforts of the coalition earlier through the creation of the working groups. Securing their support for the creation of a one-stop shop would be critical. The coalition launched an effort to win their support by showing a video presentation from the study tour to the Governor, Mayor, members of the working groups, and to other public officials to visually demonstrate the impact that opening a one-stop shop could have in Mykolaiv. In addition, the coalition showed portions of this video in the mass media to develop public support for the one-stop shop.

Based on these lobbying efforts, statements made publicly about improving city and oblast services to citizens, and the upcoming elections, both the Governor and the Mayor publicly declared their support for the creation of a one-stop shop as proposed by the coalition. Though most local officials involved in business start-up were initially against the idea of working together in a one-stop shop, the pressure of the Mayor and the Governor was sufficient in bringing representatives from the various agencies together.

### *Opening the Unified Commission*

The coalition, together with local officials, opened the Unified Commission for the opening of commercial entities on 26 December 2001. As was planned, the Unified Commission began its work in a facility provided by the city, not far from city hall. The Unified Commission involved representatives from 24 inspection agencies, local government offices and NGOs.

The coalition then turned their attention to working with the Mayor to implement the third stage of their strategic plan – moving the Unified Commission to city hall. The Mayor and his Vice-Mayor led these efforts, allocating money from the city budget for the renovation of the city hall and publicizing the move. This did not take long and the Unified Commission's work in the city hall was officially begun on 3 April 2002.

Surprisingly, not only has the existence and work of the Unified Commission been ques-

tioned, but so too has its location. Many Mykolaiv officials have expressed their opinion that the Unified Commission should not be located in city hall. Some find it hard to accept that citizens should have free access to government officials and institutions. Overcoming that opinion, however, is just the point. In Mykolaiv, citizens now have

access to local officials and local services that were previously unthinkable. City hall exists to serve its citizens and Mykolaiv is demonstrating its commitment to that ideal.

The table, below, identifies the timeframe for the actions described above.

**Timeframe for Opening the Unified Commission**

<b>Key Activity</b>	<b>Timeframe</b>
Identification of Problems	November 1999 – July 2001
Creation of Working Groups	August 2001
Study tour to Romania and Czech Republic	October 2001
Lobbying efforts	October 2001 – December 2001
Opening of Unified Commission	26 December 2001
Unified Commission moves to City Hall	3 April 2002

**SUCCESSSES**

Walking into the Unified Commission, it is quite clear to see the impact that it is having on entrepreneurs in Mykolaiv. When interviewed, one woman entrepreneur described the ease of working with the Unified Commission, “How else could I meet with representatives from the 12 agencies from which I need to get permissions to begin operating my business? [The Unified Commission] is great!”

**1. Reduced time and money**

These kinds of anecdotal references are backed up by the numbers: the average time required to receive approval to open a commercial object has decreased from 270 days to 90 days (processing time, not including the amount of time saved by co-locating government agencies). With 18 government agencies accessible in one space to answer the questions of entrepreneurs, businesspeople do not need to spend days and even weeks trying to have their questions answered and getting their plans approved. In addition, the cost has decreased from an average of 3000 UAH to 1100 UAH. As was described above, these improvements have come through a reduction in duplicative processes and

requirements for redundant documents. Time saved for entrepreneurs has an economic impact as well, enabling businesspeople to get their operations started earlier.

**2. Improved Government Coordination**

Government agencies are also beginning to recognize the success and benefit of the Unified Commission. Talking with the representatives from the Sanitation Department and the Department for Labor Safety, both acknowledged that the work of the Unified Commission is greatly simplifying life for entrepreneurs interested in starting their own commercial entities. Both also agreed that the Unified Commission has enabled them to collaborate and cooperate with other government agencies more easily, sharing information about proposed projects and receiving answers to their questions more quickly.

**3. Encouraging Other Communities**

In Ukraine, Mykolaiv is proving the old saying that “imitation is the sincerest form of flattery.” The success that Mykolaiv achieved in opening their one-stop shop has inspired a number of other cities and oblasts around Ukraine to look at how they can bet-

### SECTION 3: UKRAINIAN CASE STUDIES

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ter serve their citizens and the business community. Several neighboring cities are establishing similar entities as Mykolaiv's Unified Commission while numerous others have inquired to find out how the one-stop shop works and how they might be able to build one for themselves.

#### FUTURE PLANS

There are a number of challenges that face the coalition and government agencies involved in the Unified Commission. The most pressing is related to the last phase outlined in the coalition's strategic plan. As mentioned earlier, the Mykolaiv coalition elected to co-located agencies first and later, after the agencies had worked together, to further reform the way they work. The final phase requires improving the work of the Unified Commission by increasing the number of days of operation (from 2 afternoons to 5) and by creating new regulations for the one-stop shop that foster collaboration among the agencies represented.

While entrepreneurs have felt the impact of the Unified Commission quite strongly, the Commission has had a less profound impact on the government agencies represented. Because there are not well-defined regulations and no coherent procedures governing the work of the Commission, the agencies represented do not feel the full impact of their involvement. Without computer programs, access to the electronic databases of their respective agencies, and more efficient procedures, they contend that the work is not simplified enough to justify an increased presence at the Unified Commission. Indeed, many of these agencies view that their participation in the Unified Commission is a burden on their already tight resources.

In order to resolve these issues, the coalition is going to work with the directors of those

agencies working in the Unified Commission to develop procedures that will improve their flow of work and address their problems. The coalition is also working through the Mayor's office to extend the hours and number of days that the Unified Commission operates.

Both of these issues, developing a set of defined regulations and procedures for the Unified Commission, and the amount of time that the Unified Commission is open go hand in hand. Government agencies are not willing to devote more time to the work of the Commission unless there are procedures in place that will help them. Likewise, it is unlikely that any significant procedures and regulations can be developed that would not require a significant commitment on the part of government agencies. In local government, anything worth doing usually takes time and resources. Meeting for two afternoons per week is simply not enough time to implement procedures that are meaningful to the government agencies.

The coalition, obviously, will not be able to achieve these goals on its own. They continue to work closely with the Mayor's office, with BIZPRO, with elected officials, with the agencies working in the commission, and with businesspeople to identify what further needs they have and how the Unified Commission can meet those goals.

The coalition, with the Governor's support, is also working with other towns in the oblast to improve the regulatory environment in which businesses work. In many areas this may take the form of one-stop shops similar to the one in Mykolaiv's city hall. In others, they may make their own adjustments based upon the needs of their community and the problems they face.



## SECTION 4: Principles of Success

It can be very difficult to speak of “best practices” when these different institutions calling themselves “one stop shops” (or some variant thereof) embody such different functions and authorities. However, there are some key principles of success that emerge from the experience of some of the more promising centers internationally and those already operational in Ukraine – themes which should ideally be incorporated into any future attempts at creating a one-stop shop. We summarize those themes below.

### *1. “One-stop” is not an immediately realisable goal*

Ironically, one of the most important lessons learned is that enabling an entrepreneur to take care of all administrative requirements in one visit to one place is an impossible dream. Even in the multi-service structures of Portugal and Italy, with all the government authority behind the staff present, businessmen must make several visits to the facility to complete their formalities. Except perhaps in Italy, entrepreneurs must visit one or more institutions in addition to the one-stop-shop to obtain all required approvals and certificates.

A more important goal, both here in Ukraine and abroad, is creating a OSS where an entrepreneur gets a comprehensive picture of what is required to get started in business: not merely how to get a business identity, but also how to obtain all permissions necessary to begin economic activities. If the OSS also can help expedite those permissions, through its relations with other authorities, then it becomes a truly useful “stop”.

In the case of Ukraine, this means that coalitions trying to establish new one-stop shops need to collect data and think carefully about the range of services their one-stop shop should provide. It may be appropriate, as in Ivano-Frankivsk, to focus solely on registration, since this is what the data showed to be the most problematic. Conversely, a community may be more like Mykolaiv, where registration is not a problem but permitting is. And therefore a one-stop shop that makes permitting its focus will be more appropriate. In yet other communities, lack of information may be the biggest problem, which would suggest yet another form. By understanding that one-stop shop need not (and cannot) include all information and processes, this frees new communities to decide what information and which processes are most problematic, and to address them.

### *2. Politics determines coalition success*

In Mykolaiv, the forceful leadership of the Vice-Mayor, Mayor and Governor made the process of co-location simpler, requiring less up-front consensus among the numerous public agencies before work could begin (such as was required in Ivano-Frankivsk). Mykolaiv elected to rely more heavily on the influence of the Mayor (primarily, but also the Governor) because of political constraints they faced and, particularly, the unwillingness of various government agencies to cooperate.

While this solution provided them with a short-term gain, that is, being able to realize their vision of co-locating these various services, they now face the daunting task of transitioning from relying solely on the strong



political will of the Mayor to developing consensus and ownership of the process to those agencies involved. Without such consensus and ownership, they will not be able to realize their larger goal of reforming specific procedures *within* the one-stop shop, a task that the Ivano-Frankivsk coalition addressed first as a means to building consensus.

Successful coalitions will adapt their strategy to local political situations, doing what they can within the political realities and yet remaining focused on their long-term goal. Short term compromises will be necessary so long as they do not prevent achievement of the larger objective. Sometimes this will mean the coalition makes a leadership change mid-process; sometimes the ‘face’ of the coalition will need to be someone who can interface with the political personalities, even if their contribution on a day-to-day level is minimal. And keeping in mind that political realities can change, often quickly, it is helpful to have a back-up plan!

### 3. *Government structure defines limits*

As in previous sections, the overall structure of a country’s public administration and its division of powers determines what can be effectively done in one-stop-shops. For example, both Italy and Spain have developed national legislation that authorize the creation of one-stop shops and, to a degree, define the operations of such an institution. However, the accompanying top-to-bottom reform of public administration in Italy, which decentralizes power and establishes municipal governments as the focal point for the vast majority of administrative decisions, makes it possible to seek far more from

its Sportelli Unici than can be attempted in other countries. However even where decentralization and other administrative reforms can be achieved, they obviously take time. Meanwhile more successful OSS services, such as Portugal’s, depend less on national reform than upon securing voluntary cooperation of various Ministries to place officials or ICT connections into OSSs.

In the case of Ukraine, there has been a substantial push in recent months for national legislation on one-stop shops. To be sure, decentralization and further regulatory reform would significantly reduce the number of desks required in the OSS, and make public-public and public-private coordination easier. International experience – particularly in countries like Italy and Spain with national legislation regarding one-stop shops – shows that there are four principles that should be preserved in drafting national legislation. These principles are:

- a. *Voluntary creation.* In both Spain and Italy, the purpose of the national legislation is to ‘authorize’ the creation of local institutions (one-stop shops) for the purpose of simplifying the business start-up process. In neither case does the law mandate the creation of such institutions – the decision of whether or not to establish such an institution is up to the local decision-makers.
- b. *Mandated public-public cooperation.* While not requiring localities to establish one-stop shops, the laws in Spain and Italy do require that national agencies/government bodies work with local one-stop shops. This was important as it removed one of the critical impediments local governments faced in reforming business-start up – much of the start-up process was controlled by national government bodies who were unwilling to cooperate with one-stop shops created locally.
- c. *Reforming procedures.* There are several legislative acts – some that authorize localities to create one-stop shops, some that require national ministries and agencies to cooperate (and specify how),

## SECTION 4: PRINCIPLES OF SUCCESS

and some that relate to specific procedures to be followed by the one-stop shops, including whether the institutions focuses on registration alone, or registration as well as licensing/permits. This third type – legislation regarding the procedures to be followed – was created *as a part of* broader regulatory reforms in both Spain and Italy. These reforms devolved powers away from central government to regions and local government, reduced the size of government, streamlined administrative decision-making processes, and improved government internal management. It was important in both Spain and Italy that the procedures the one-stop shops were required to follow were not the same bureaucratic, time-consuming and inefficient procedures that previously existed. For this reason, this third type of legislation took longer to prepare, and involved more substantial regulatory reforms.

- d. *Public-private cooperation.* In both Spain and Italy, public-private participation is codified in the creation of a one-stop shop. In Spain, the local business organizations sign the document that establishes the one-stop shop, along with ministries, city and regional authorities. In Italy, the municipal authorities sign a cooperative agreement with the local chamber of commerce for the establishment and operations of the one-stop shop. By establishing this type of public-private partnership relationship as the backbone of the one-stop shop, the municipality guarantees private sector commitment to the institutions and improves its interaction with the public.

### *4. Information and Communications Technology (ICT) plays an important role*

All the successful OSSs are investing in ICT to improve and expedite services to small firms. At a minimum they should be able to provide copies of all forms required to start a business, as well as any instructional materials about completing the forms. In countries where steps have been taken to enable secure, authenticated electronic transmission of documents, the OSSs also allow entrepre-

neurs to file forms for various authorities from a single location (both for registration and for periodic reporting requirements).

Emerging market countries can benefit from these ICT-assisted services – such innovations are not only for OECD nations. For example, together with BIZPRO the Ivano-Frankivsk one-stop shop (and the soon-to-be-opened Kherson one-stop shop) created a computer network and developed a specialized software that would allow the input of an entrepreneur's data only once, rather than having to supply it separately to each institution. In Ivano-Frankivsk, they are now working on a program that will allow this new software to communicate with the programs of each public agency, further minimizing the data load.

### *5. Critical ingredient: public-private cooperation*

Neither of the two existing one-stop shops in Ukraine would have been possible unless the private sector, the local governments and officials, and oblast officials had committed to the concept. And not only committed in theory, but also committed considerable amounts of their time and resources to making it a reality. The creation of a one-stop shop in Ukraine should not, and need not, be externally financed or driven.



In both Mykolaiv and Ivano-Frankivsk, the local community (both the business coalition and the government) provided funds to refurbish the physical location of the OSS, publicize, and computerize the process. Naturally, this type of commitment (from both the public and private sectors) comes only with a sense of ownership of the process. If the proposal of a one-stop shop had been externally driven, or dictated ‘from the top,’ the natural response would have been to look for funding and direction from the top, which would prevent the necessary ‘local adaptation.’ In every sense, this was a ‘bottom-up’ phenomenon.

### ***6. Public-public coordination can be more challenging than public-private coordination***

Related to Point 5 above, in the case of Ukrainian one-stop shops as well as those from abroad significant time and attention is placed on the coordination of various public agencies. This is no small undertaking. While much attention and activities are focused on public-private coordination, the need for (and difficulty of) public-public coordination often goes overlooked. This is particularly challenging in Ukraine, where the assignment of roles and responsibilities between levels of government is complicated, at best.

As mentioned already, the two cases of Mykolaiv and Ivano-Frankivsk demonstrate very different approaches to achieving public-public coordination. In Mykolaiv, as previously mentioned, strong leadership in the form of the Mayor’s office and Governor were sufficient to physically bring together the various agencies. The process of reforming

the procedures was postponed until after the agencies had had time to work together, with the expectation that they would bring more interest and commitment to the goal after having worked together (and therefore consensus on reforms more easily achieved). In Ivano-Frankivsk, the business coalition relied heavily on the personal networks of its leaders in persuading public officials to support the concept, and attend a one-day strategic planning session. Armed with statistics and persuasive arguments, enough consensus was forged to establish an office that would focus on a narrower topic (registration only). The coalition is only now (half a year after its creation) expanding its focus to include permits/licenses – a result of more and more public agencies agreeing to cooperate.

Any new efforts for a one-stop shop will need to focus carefully on the amount of existing public-public coordination, the tradition of public agency cooperation, and the amount of political leadership. These issues will dramatically affect the scope of the one-stop shop, the timing of activities (e.g., procedural reform first or physical co-location first).

### ***7. Coalition building versus lobbying***

It is unclear, even to us, how much the effectiveness of these two coalitions was due to the extensive coalitions built among the private sectors in their respective communities, and how much was due to the personal persuasiveness (lobbying) of the leader of the coalition. To be sure, it was a little of both.

It was necessary for each coalition to represent a broad cross-section of the local community – in order to accurately document the current problems in the start-up process, and in terms of informing the private sector of progress made. At some point during the life of each coalition, new organizations were added to supplement what the coalition felt was a weakness in their operations. For example, in Mykolaiv the coalition realized in Spring 2002 that they had been severely hampered by not having had a legal organization as a member of the coalition. Had they done so, in their opinion, this would have significantly assisted them in more quickly and precisely responding to public



agencies with proposals and counterproposals for reform.

Probably of more importance, however, was the personal connection within each coalition. As in every country, lobbying plays a large role in any reform project and one-stop shops are no exception. It was critical in both cases to have leadership within the coalition who were known to the local officials (with a positive, and not negative, reputation!), had access to various levels of local and oblast officials at any given time, had access to a broad range of media outlets, and had enough of an operational base that they could manage a complex activity over long periods of time. It need not be the officially designated leader of the coalition, but the coalition itself needs to identify who, among its members, can provide this access. Without such access, the coalition will not succeed, no matter how persuasive it's statistics and arguments.





# ANNEXES

## ANNEX 1: Ivano-Frankivsk Action Plan

### MEMORANDUM

Ivano-Frankivsk

January 31st, 2002

We, managers of government executive organs, local self-governance organs and other institutions authorized by the Ukrainian legislation to register subjects of business activity and issue permits and approvals necessary to conduct business,

seeking to develop partnership relations with entrepreneurs and meet their needs and interests;

seeking to improve, simplify and optimize business registration practices within the existing legislation by reducing time, cost and paperwork required by registration and approval procedures,

being confident that the existing approval/registration procedures and the experience acquired to date provide a possibility for quality changes,

acting within existing legislation and in the manner prescribed by the Ukrainian Law,

*we hereby declare the beginning of cooperation between our organizations aimed at creation of a Single Office in Ivano-Frankivsk, where all business registration and approval procedures prescribed by the Ukrainian law will take place.*

For this purpose, the undersigned organizations shall hold consultations, share information, provide each other with necessary informational, organizational, technical or other assistance and ensure their staff's participation in such cooperation.

The result of the cooperation shall be the development and approval of improved registration and approval procedures that will meet the following criteria:  
reduced time, cost and paperwork necessary for registration and approval procedures; opening and organization of the work of the Single Office.

*We hereby agree that the Single Office must be open in March 2002.*

This Memorandum shall be implemented in accordance with the Work Plan of Ivano-Frankivsk Coalition.

Signed by:

- 1) City Mayor
- 2) Head of Oblast Statistical Department
- 3) Deputy Head of Tax Administration of Ivano-Frankivsk
- 4) Director of Ivano-Frankivsk Directorate of Social Insurance Fund Against Temporary Disability
- 5) Director of the City Employment Center
- 6) Director of Ivano-Frankivsk Directorate of the Social Insurance Fund Against Occupational Diseases
- 7) Head of Ivano-Frankivsk Branch of the Pension Fund
- 8) Head of the Permits Service of the City Police Department
- 9) Head of the Council of Ivano-Frankivsk NGOs' Coalition

## **Work Plan**

<b>№</b>	<b>Activity</b>	<b>Period</b>	<b>Responsible Individual(s)</b>
1.	Signing of the Memorandum of Understanding on creation of the Single Office <sup>1</sup>	January 31st 2002	Lidia Volosyanko
2.	Development and adjustment of the new registration and approval procedures	before March 10th	Managers of all organizations
3.	Resolution by the Head of Oblast Administration to create a Single Office	First decade of February	Lidia Volosyanko
4.	Signing of the Lease Contract for premises occupied by the Single Office	First decade of February	A. Sobolevsky
5.	Repairing and equipping the premises	before March 15	A. Sobolevskiy the Coalition
6.	Setting up boards with information for entrepreneurs	before March 20th	Managers of all organizations
7.	Creation of informational center in the Single Office	before March 20th	A. Sobolevskiy the Coalition
8.	Creation of a Service Center	before March 20th	the Coalition
9.	Opening of the Single Office	Last week of March	Managers of all organizations

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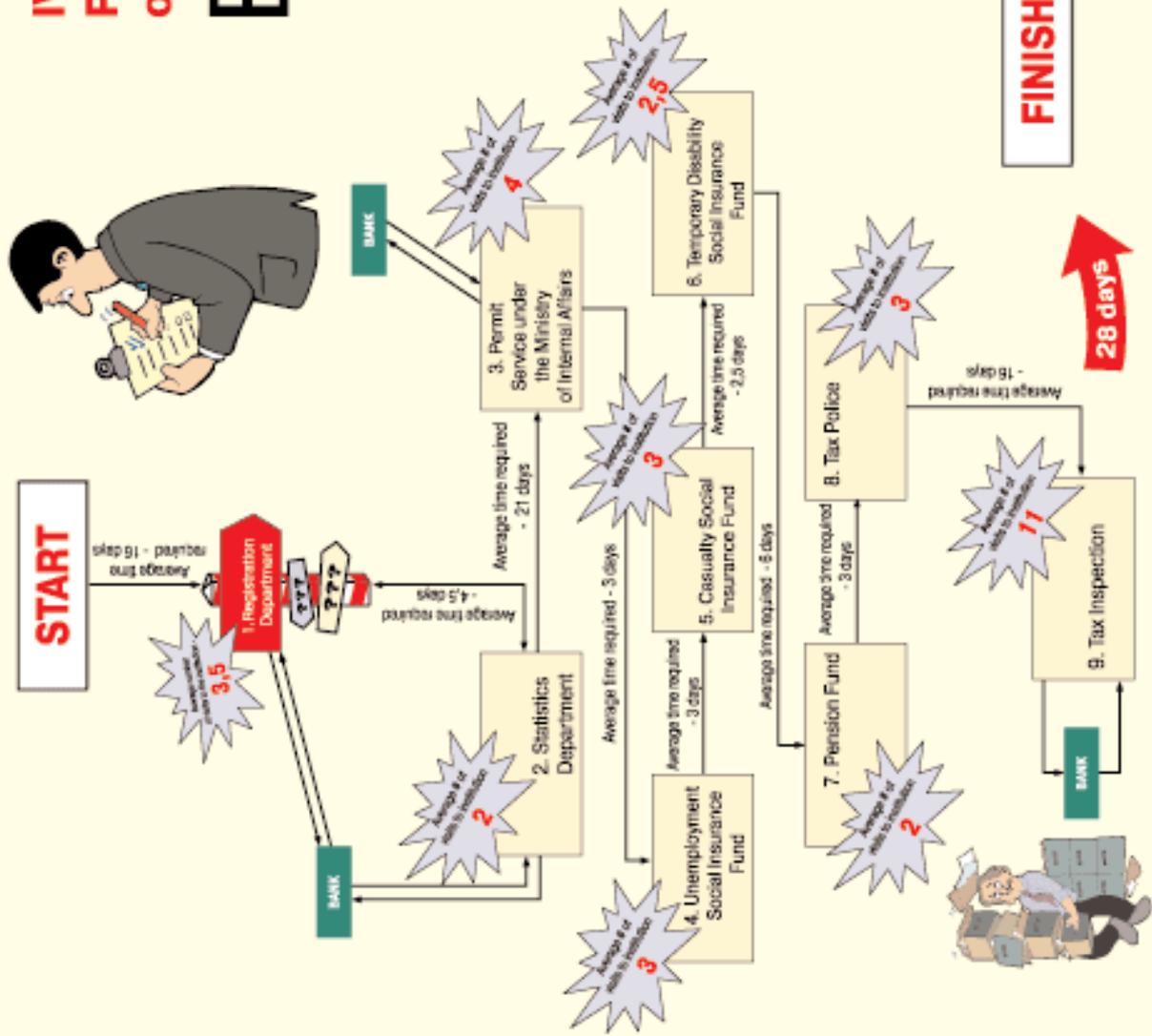
<sup>1</sup> tentative title

## ANNEX 2: Ivano-Frankivsk List of Coalition Members

Organization	Director	Address
Agency for the Development of Private Initiative	Lidia Volosianko	26 Dnistrovska str., Ivano-Frankivsk, 76018 Tel/Fax: (0342) 559580 e-mail: initiative@sbedif.if.ua
Regional Union of Manufacturers and Entrepreneurs	Igor Zvaruch	11 Grushevskogo str., Ivano-Frankivsk, 76000, Tel/Fax: (03422) 32046
Association for Economic Development of Ivano-Frankivsk Region	Gennadiy Rusanov	26 Dnistrovska str., Ivano-Frankivsk, 76018 Tel/Fax: (0342)552022 e-mail: grusanov@sbedif.if.ua
City Development Institute	Viktor Kimakovich	16 Sichovykh striltsiv str., Ivano-Frankivsk, 76000 Tel./Fax:(03422) 76376
Union of Business Women "Aktyv".	Valentina Tarasiuk	3/1 Franka str., Ivano-Frankivsk, 76000, Tel/Fax:(03422)23550 e-mail: tomnext@if.ukrtel.net

# IVANO-FRANKIVSK: Procedure for state registration of entrepreneurial entities BEFORE

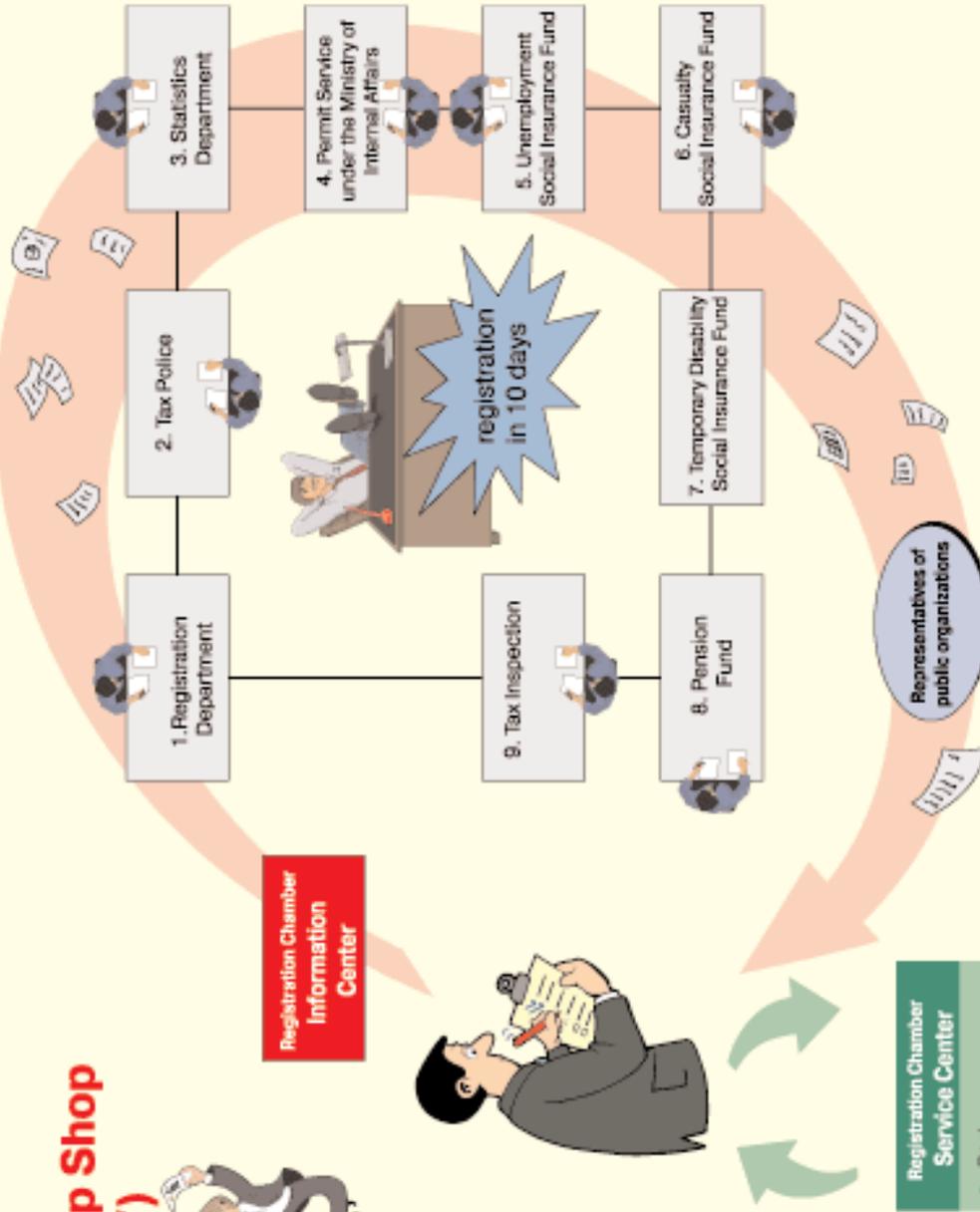
1. Obligatory presence of an entrepreneur in each authority involved in the process of registration.
2. Missing or incomplete information regarding the registration procedures in various state institutions.
3. Scattered location of registering authorities all around the city.
5. Duplication of documents that need to be submitted to various authorities.
6. Low awareness among entrepreneurs regarding the rights guaranteed to them by legislation, as well as regarding the obligations of the registering authorities.
7. An entrepreneur spends, on average, 300 hrn. (for legal entities), and 180 hrn. (for individual entrepreneurs) to receive the registration within 28 days.
8. For 600 hrn. an entrepreneur could receive his/her registration within 10 days.



## IVANO-FRANKIVSK: The Work of the One-Stop Shop ("Registration Chamber")

### AFTER

1. The registration procedure does not require personal presence of an entrepreneur at the intermediate stages of the process. The entrepreneur's presence is only required at the beginning (submission of documents) and at the end (obtaining the registering documents).
2. Open and transparent information regarding the registration procedure.
3. Decreasing entrepreneurs' route and time spent due to locating the representatives of state registering authorities in one place.
4. Open and transparent registration procedure.
5. Avoiding duplication of documents that need to be submitted for the registration procedure.
6. Monitoring of the registration procedure by the representatives of public organizations, availability of consulting, legal and other services provided by professional organizations.
7. An entrepreneur spends, on the average, 84,5 hr. (for individual entrepreneurs), and 194 hr. (for legal entities).
8. The registration procedure lasts up to 10 days.



## **ANNEX 4:**

# **Ivano-Frankivsk Registration Chamber Operating Procedures**

### **Annex 4a: Ivano-Frankivsk Registration Chamber Guidelines**

To the Resolution of the City Council

Date: \_\_\_\_\_ 2002

1. The Registration Chamber in Ivano-Frankivsk (hereinafter referred to as the Chamber) is established with the purpose of combining organizational and technical efforts of agencies involved in business registration to simplify registration procedures by minimizing paperwork, length and cost of these procedures for businesses.
2. The following agencies shall operate in the Chamber (“registration agencies”):
  - The Ivano-Frankivsk City Council’ Executive Committee;
  - Oblast Statistics Department;
  - State Tax Inspectorate in Ivano-Frankivsk;
  - Ivano-Frankivsk branch of Ukraine Pension Fund;
  - Local branches of respectively Ukrainian Fund for Social Insurance Against Casualties and Occupational Illnesses, Ukrainian Fund for Mandatory Social Insurance Against Unemployment, Ukrainian Fund for Social Insurance Against Temporary Disability;
  - City division of the Ivano-Frankivsk Oblast Department of Ukraine’s Ministry of Internal Affairs (UMIA).
3. The Chamber shall perform the procedures (further – “registration procedures”) within the registration agencies’ jurisdiction and related to:
  - State registration of business entities and re-registration of business entities (including issuance of permits for use of stamps and seals)
  - Making changes to business’s statutory documents and/or business registration certificate;
  - Abrogation of the business registration.
4. Registration procedures apply to business entities located in Ivano-Frankivsk, as well as their subsidiaries and branches.
5. Registration agencies conduct registration within their competence and following the procedures established by Ukrainian law.
6. The Chamber operates in one location. Registration agencies assign their employees to specifically equipped work places in the Chamber. These employees bear responsibility for proper fulfillment of their respective registration procedures, as well as for the interaction of the institution they represent, with other registration institutions within the Chamber.
7. The Chamber Director, appointed by the Mayor’s edict, manages Chamber’s day-to-day operations.

The Director organizes daily routine of the Chamber, ensures fulfillment of procedures and cooperation of registration agencies within the Chamber. Orders of the Director related to work schedule and organization of operations in the Chamber are binding for employees of registration agencies working in the Chamber. However, the Director may not interfere with internal operations of the registration institutions.

Petitions regarding operations of the Chamber, submitted by the Director to managers of the registration agencies are subject to their mandatory consideration and response.

**8.** Registration procedures are initiated by applications from individual entrepreneurs or owners of enterprises. Registration procedures in the Chamber do not require physical presence of the applicant in the interim between submitting registration package and issuance of final documents as a result of successfully completed procedures by registration agencies.

**9.** The complete registration of business entities in the Chamber can not exceed 10 working days; making changes in founding documents and/or business registration certificate – 5 working days; abrogation of business registration – 10 days.

**10.** Following the procedures established by current legislation, the Chamber may provide applicants with fee-based services related to making and copying of documents that are needed for the registration procedure.

**11.** Mechanism of interaction between registration institutions within the Chamber will be established by the Chamber bylaws, approved by city executive committee and approved by managers of registration agencies.

**12.** Registration agencies ensure safe-keeping of documents in the Chamber and their delivery to respective archives.

**13.** The day-to-day operation of the Chamber is funded from Ivano-Frankivsk city budget (including expenses, related to maintenance of premises and purchase of furniture) and by respective registration agencies.

**14.** Registration agencies and their employees are liable for improper fulfillment of their functions while performing registration procedures, under the Ukrainian law.

## **Annex 4b: Ivano-Frankivsk Registration Chamber Regulations**

To the Resolution of the City Council  
Date: \_\_\_\_\_ 2002

### **1. GENERAL PROVISIONS**

**1.1.** For purposes of this Regulation the terms listed below shall have the following meanings: the Chamber – Registration Chamber of Ivano-Frankivsk

Registration institutions – authorities operating within the Chamber, namely:

- The Ivano-Frankivsk City Council Business Registration and Enterprise Development Department ;
- Oblast Statistics Department;
- State Tax Inspectorate in Ivano-Frankivsk;
- Ivano-Frankivsk branch of Ukraine Pension Fund;
- Local branches of respectively Ukrainian Fund for Social Insurance Against Casualties and Occupational Illnesses, Ukrainian Fund for Mandatory Social Insurance Against Unemployment, Ukrainian Fund for Social Insurance Against Temporary Disability;
- City branch of the Ivano-Frankivsk Oblast Department of Ukraine’s Ministry of Internal Affairs (UMIA).

Registration Procedures should be understood as the procedures implemented by registration institutions, particularly:

- State registration, re-registration of businesses, changes made to business’s statutory documents and/or registration certificate and concomitant procedures the registration institutions are in charge of, and the rescindment of state registration;
- Inclusion of businesses-legal entities into the State Enterprise and Organizations Register (SEOR);
- Registration of businesses with tax authorities;
- Registration with the pension fund;
- Insurers (employers) registration with social insurance funds;
- Issuance of permits to make stamps and seals;

Registration department – the Ivano-Frankivsk City Council Business Registration and Enterprise Development Department;

Complex registration – fulfillment by relevant registration institutions in the Chamber of a series of registration procedures;

Chamber Officers – employees of registration institutions assigned to work for the Chamber;  
Applicants – individuals, business owners and/or authorized by them persons, requesting the Chamber to perform complex business registration;

Registration package – a package of documents an applicant has to submit to the Chamber to undergo complex registration;

Final package – a set of documents an applicant receives after complex registration is complete.

**1.2.** The key principle of the Chamber shall be to combine organizational and technical efforts of registration authorities in order to reduce the amount of time and money, which entrepreneurs spend on the registration procedure, by simplifying the procedure and minimizing the paperwork.

**1.3.** In the Chamber, registration authorities shall carry out appropriate registration procedures within their authority, in accordance with the current legislation of Ukraine and these Regulations.

**1.4.** Registration procedures in the Chamber shall not require physical presence of the applicant in the interim between registration package submission and issuance of the final package.

**1.5.** The Chamber shall operate Monday to Friday, except holidays, at the following hours:

8.00 -12.00 – work with applicants, acceptance and issuance of documents;

12.00.-13.00 – lunch break;

13.00.-17.00 – processing of documents.

**1.6.** Individual work schedules of the Chamber employees shall be established by managers of the respective registration authority and approved by the Chamber Manager.

## **2. SUBMISSION OF REGISTRATION PACKAGE**

**2.1.** In the Chamber applicants shall be provided a list of documents to be included into their registration packages, particularly by means of posting such information on billboards.

Before accepting the documents, registration department shall make sure that the proposed title of the legal entity complies with the Ukrainian legislation and does not duplicate existing titles of businesses.

**2.2.** Applicant shall submit his/her registration package to the registration department.

Registration department shall verify availability and validity of documents in the registration package in the presence of the applicant. Based on current legislation, the registration department officer shall determine the registration procedure in each individual case.

Applicant shall be duly informed on any missing or improperly prepared documents at the time of submission of the package, and shall receive full explanation on requirements to such documents. No other requirements, other than those stipulated by the Ukrainian legislation, shall not be imposed on the applicant.

**2.3.** When submitting the registration package, applicant shall sign in the Chamber's incoming documentation log book. Upon submission of the documents, applicant shall receive a written note with the list of documents he/she has submitted and the time for the final package pick-up.

**2.4.** Upon the submission of the registration package, the registration department officer shall notify applicant on the following:

- code number in the State Enterprise Register of Ukraine, that will be assigned to the legal entity undergoing registration;
- date of the state registration.

Assisted by a registration department officer, applicant will determine the list of activities the legal entity will be involved in. These activities shall be indicated in the certificate of registration with the State Enterprise and Organization Register (SEOR).

Applicant shall indicate the respective code numbers from SEOR, KVED and ZKGN on the forms enclosed in the registration package.

**2.5.** When submitting the registration package, applicant shall fill out a complex registration application form, and pay fees related to registration process, as stated in the bill.

**2.6.** At the time of submission, registration packages and passport details of individual entrepreneurs shall also be checked by a Tax police officer, in the applicants' presence. Should all required documents be present in the package, the tax police officer shall validate the application using the 1-OIII form.

**2.7.** Registration package shall be compiled in a separate paper file where documents will be grouped by registration institutions to which they should be directed.

**2.8.** Documents circulation within the Chamber shall be recorded in the cover letter pasted into the file by a registration department officer. Responsibility for safe-keeping of the documents shall be laid upon the registration authority (a Chamber officer) that have been given the package in accordance with the cover letter.

### **3. STATE REGISTRATION**

**3.1.** The state registration of businesses shall be carried out by the Registration Department.

**3.2.** Registration Department within three days after the registration package submission (by 1 p.m. on the third day) shall have:

- Prepared State Registration Certificate with the date and identification code number that the applicant was notified of earlier.
- Made and attested a number of copies of the Certificate required for further registration procedures, and enclosed them to registration packages designated for all other registration institutions;
- Put notes about the state registration and stamped copies of founding documents in registration packages, designated for submission to oblast statistics department and the state tax inspectorate.

The date of the state registration shall be the third day after submission of the registration package.

**3.3.** Copies of the State Registration Certificate in excess of the number established by legislation, shall be made for additional fee, which an applicant shall pay at the time of registration package submission.

**3.4.** The registration department shall keep the original and three attested copies of the State Registration Certificate to be given out to applicant along with final package.

Applicant may obtain the original copy of the Certificate no later than 5 days after registration package has been submitted.

**3.5.** In addition to the documents listed in point 3.2., the registration department shall give copies of the registration card with a note on the state registration to the state statistics department and tax administration. Notifications shall also be sent to respective branches of the Pension Fund and Social Insurance Fund.

**3.6.** Three days after registration, the registration department shall give respective registration packages to the oblast statistics department and permit-issuing service of the city department of Internal Affairs Ministry.

**3.7.** In case of an 'express' registration procedure, the procedures described in this chapter shall be complete by 1 p.m. the following day after the registration package submission.

**3.8.** Should there be grounds for rejection of an application, the registration department shall notify the applicant in writing within three working days and provide full explanation of the reasons for such rejection.

#### 4. RECORDING IN THE STATE ENTERPRISE REGISTER

4.1. Inclusion of applicants (legal entities) into Ukraine's State Enterprise Register (SEOR) shall be carried out by the Oblast Statistics Department.

4.2. Written confirmation of inclusion into SEOR shall be prepared on grounds of the registration card copy delivered by the registration department and containing a note of state registration. KVED and ZKGNG codes shall be assigned in accordance with the data, indicated in the registration application.

4.3. Within two working days upon receipt of the registration card copy, Oblast Statistics Department shall:

- Issue a certificate of inclusion into SEOR and make five copies of it;
- Forward the certificate to the Chamber and enclose one copy of the certificate in the registration packages to be passed on to the state tax inspectorate and state social insurance funds.

4.4. The original certificate of inclusion into SEOR shall be delivered to the Registration Department and given out to the applicant with the final package. Applicant may receive the certificate no later than five days upon submission of the registration package.

More copies of the certificate shall be made for additional fee, which shall be paid at the time of documents submission.

4.5. By 9 a.m. on the next day after steps in point 4.2. have been made, Oblast Statistics Department shall take registration packages with copies of the SEOR certificate to the state tax inspectorate and state social insurance funds.

4.6. In case of an 'express' registration procedure, the steps indicated in this chapter shall be made by 10 a.m. of the working day following the submission of the registration package.

#### 5. TAX REGISTRATION

5.1. Registration of businesses with tax authorities shall be carried out by the State Tax Inspectorate (STI) in Ivano-Frankivsk.

5.2. Applicants shall be registered with tax authorities based on the documents from their registration packages.

5.3. Documents from registration package shall be examined for accurateness and validity in the applicant's presence at the time of documents submission. (Chapter 2). Applicant shall be informed about most common mistakes in the documents and of all requirements to their accurateness.

5.4. Based on the received documents, within two working days upon receipt of the registration package, the STI shall:

- Withdraw documents required for tax registration from the registration package;
- Input data on the applicant to the unified data base;
- Fill out the 4-OPP form and make two copies of the form;
- Put a note on a copy of applicant's Statute about the completion of tax registration.

5.5. During applicant's registration with the STI, he/she shall also be registered as a VAT and/or flat tax payer within the term indicated in point 5.4. if an appropriate application has been included in the registration package.

**5.6.** Original of the 4-OIII form, one copy of the form, certificate of a VAT- and/or flat tax payer (for legal entities), and the statute with a note on the completion of tax registration shall be given to applicant by an STI official with the final package.

## **6. REGISTRATION WITH STATE SOCIAL INSURANCE FUNDS**

**6.1.** Registration of social insurance payers shall be carried out by the following institutions:

- Local branch of the Pension Fund;
- Ivano-Frankivsk branch of the executive directorate of the Ukrainian Fund for Social Insurance Against Casualties and Occupational Illnesses;
- Ivano-Frankivsk branch of the executive directorate of the Ukrainian Fund for Mandatory Social Insurance Against Unemployment,
- Ivano-Frankivsk branch of the executive directorate of the Ukrainian Fund for Social Insurance Against Temporary Disability.

**6.2.** Registration shall be performed based on applications in the appropriate formats, included in the registration package, and other documents required by the legislation.

**6.3.** Branches of the Social Insurance Funds within three work hours from the moment of receipt of the registration package shall extract from the package all documents required for the registration, and prepare notifications to the payer of insurance fees, while the Pension Fund branch shall prepare a note for the applicant's bank. All documents indicated above shall be enclosed in the final package to be given to the applicant.

## **7. STAMP/SEAL PERMIT**

**7.1.** Permits for making a stamp and a seal shall be issued to the applicant by the Permit-Issuing Unit of the Ivano-Frankivsk Police Department under the Ukrainian Ministry of Internal Affairs.

**7.2.** Permits shall be issued based on the properly prepared application, the original and a copy of the state registration certificate, sample of the seal and stamp approved by the applicant, and a bank's confirmation that a fee for the permit has been paid. If a stamp should feature business's logo or a trade mark, excerpts from the business's statute shall be additionally enclosed. All the above documents shall be included in the registration package delivered to the permit-issuing service by the registration department.

**7.3.** Within five working days, the permit-issuing unit shall:

- Extract from the package all documents required for permit issuance;
- Prepare the permit;
- Return the permit and certified stamp/seal samples to the registration department along with other documents to be given to the applicant.

**7.4.** Should the applicant request an express service, the permit shall be issued within three working days.

## **8. ISSUE OF FINAL PACKAGE**

**8.1.** Final package shall include:

- The original copy and three attested carbon copies of the state registration certificate;
- Founding documents with notes made by registration authorities in accordance with legislation;
- Original copy and two attested copies of the certificate of inclusions into SEOR;
- The original and 2 copies of the Tax-payer registration certificate (form 4-OIII);

- VAT and/or flat tax payer certificate;
- Notification on registration with the Pension Fund, the Ukrainian Fund for Social Insurance Against Casualties and Occupational Illnesses, the Ukrainian Fund for Mandatory Social Insurance Against Unemployment, and the Ukrainian Fund for Social Insurance Against Temporary Disability;
- Certificate on registration with the Casualty Insurance Fund;
- A note for the applicant's bank from the Pension Fund;
- Permit to make a stamp and a seal with approved samples.

Content of the final package may vary depending on the legal form of the applicant and details of his/her request.

**8.2.** The original and attested copies of the SEOR inclusion certificate shall be given to the applicant by an employee of the oblast statistics department.

The tax-payer registration certificate, as well as VAT- and/or flat tax payer certificate, shall be given to the applicant by an STI officer.

The stamp/seal permit with approved samples shall be given to the applicant by an officer of the city police department .

Rest of the documents from the final package shall be accumulated in the registration department and shall be given to the applicant by an employee of this department.

**8.3.** Registration department shall make sure that the final package meets applicant's needs. Should any discrepancy be revealed, registration department shall contact appropriate registration authorities and eliminate the mistake within one day.

**8.4.** All documents from the final package should be ready to issuance to the applicant by 10 a.m. on the fifth working day upon submission of the registration package.

Should the applicant request an express registration procedure, oblast statistics department and permit-issuing unit of the city police department shall establish a shortened period for preparation of the final package, i.e. second or third day upon submission of the registration package.

**8.5.** Applicant together with employees of the respective registration institution shall check if the final package match his/her request and shall then sign necessary registers (journals).

**8.6.** If an inconsistency is discovered – e.g. missing or improperly prepared documents – the required documents shall be prepared (replaced) within three working hours.

**8.7.** In case where a registration institution refuses to perform certain registration procedure, it shall prepare a well-grounded refusal in writing. If the reason for such refusal was a missing or an improperly prepared document (except for documents that should be drawn up in the Chamber), registration procedures shall be performed once properly prepared documents have been submitted. In this case, the deadline for issue of the final package shall be determined on the basis of one day per each registration institution.

**9. CHANGES TO FOUNDING DOCUMENTS, STATE REGISTRATION CERTIFICATE.  
RE-REGISTRATION**

**9.1.** Should the applicant request changes in founding documents and/or state registration certificate, a registration department employee shall determine and notify the applicant of the list of required registration steps, as well as the documents to be submitted to registration institutions. However, additional demands not stipulated by legislation, shall not be presented to the applicant.

**9.2.** While registration package is submitted, a registration department employee checks whether documents have been prepared correctly. In case where registration package has been compiled properly, he/she will give the applicant a report with the list of documents accepted and the date for final package issue.

**9.3.** Registration procedures and paper work shall be performed in the order as prescribed by these Regulations.

**9.4.** Complex re-registration of business entities shall be completed in the same procedure as established for their initial registration.

**10. RESCINDMENT OF THE STATE REGISTRATION**

**10.1.** For abrogation of business registration the applicant shall submit to the state registration department a package of documents as provided for by the legislation.

**10.2.** A registration department employee shall verify completeness of the package of documents. If the registration package has been compiled properly, the applicant shall be given a written note with the list of submitted documents and date of final package pick-up.

**10.3.** Within one working day after receipt of the package of documents, including a notification from tax authorities about applicant's removal from the records, registration department shall deliver documents required for the disposal of stamps and seals together with the physical stamps and seals to the city police department. The city police department shall then issue to the registration department a written confirmation of stamps/seals submission.

**10.4.** During the following working day, the registration department shall abrogate the state registration, and shall notify of the abrogation representatives of the oblast statistics department, STI and Funds working in the Chamber.

**10.5.** Removal of businesses (legal entities) from the State Enterprise and Organization Register shall be done by the oblast statistics department on the basis of notification issued by the registration department, within one working day after receipt of such notification.

**10.6.** Removal of the applicant from social insurance funds' records shall be done on the basis of the registration department's notification and audit reports within 10 days after receipt of the notification.

## **ANNEX 5: Mykolaiv OSS Regulations**

### **MYKOLAYV CITY COUNCIL**

#### **EXECUTIVE COMMITTEE**

#### **RESOLUTION**

On the Establishment of the Unified Commission for Approval of Documents Required to Receive Permits on Placement and Construction of Objects for Public and Industrial Use and Launching the Operations of Business Objects.

To fulfill the requirements stipulated in the Decree of the President of Ukraine as of July 15, 2000, #906/2000 “On Measures to Secure Support and Further Development of Entrepreneurship”, the Decree of Mykolayv Oblast State Administration as of 09.07.01. #426-p, “On Improving the Procedure for the Approval of Documents Required to Receive Permits to Launch Business Operations in Mykolayv Oblast”, as well as to simplify the procedure for organizing and carrying out business activities, secure transparency and equitable treatment during the approval of documents required to receive permits on placement and construction of objects for public and industrial use and launching the operations of business objects,

The executive committee of the city council has resolved:

1. To establish the unified commission on approval of documents required to receive permits for placement and construction of the objects of public and industrial use and launching operations of businesses (hereinafter referred to as the Unified Commission).
2. To approve the composition of the Unified Commission (Appendix 1).
3. To approve the regulation on the Unified Commission (Appendix 2).
4. To make Kovaliov Y.I., the Deputy Mayor on the issues related to the activities of executive bodies of the city council, responsible for supervising the fulfillment of this Resolution.

City Mayor

V.D. Chayka

To the Resolution of the City Executive Council dated 21.12.01, #1181

### **Composition of the Unified Commission**

Chairman of the Commission	Kovaliov Y.I. Deputy Mayor on the issues related to the activities of executive bodies of the city council
Secretary of the Commission	Evtodiev E.M. Senior specialist of the architecture and urban development department of the city council

#### **Commission members:**

1. The head of the local (Mykolayv Oblast) office of the state committee of Ukraine on regulatory policy and entrepreneurship.
2. The first deputy head of Tsentralny district executive committee.
3. Deputy head of Leninsky district executive committee.
4. Deputy head of Zavodsky district executive committee.
5. The head of the department for social and economic development of Korabelny district executive committee.
6. Representative from the land resources department of Mykolayv city council
7. Specialist from the local office of the state committee for land resources of Ukraine.
8. Representative from joint stock company “MykolayvGaz” (to be agreed).
9. Representative from municipal utility enterprise “MykolayvElektroTrans” (to be agreed).
10. Representative from municipal utility enterprise “MykolayvVodoKanal” (to be agreed).
11. Representative from the municipal power network company (to be agreed).
12. Representative from housing and communal services department.
13. Representative from the local office for ecology and natural resources (to be agreed).
14. Representative from the greenery planting company “Zelene Hospodarstvo” (to be agreed).
15. The head of the ecology department of Mykolayv city council.
16. Representative from the local office of the state committee for labor protection (to be agreed).
17. Representative from city sanitary and epidemiological institution (to be agreed).
18. Representative from the municipal auto transport company (to be agreed).
19. Representative from the local motor licensing and inspection office (to be agreed).
20. Representative from oblast committee for land resources (to be agreed).
21. The head of city council department for trade and consumer services.
22. Representative from Mykolayv commercial port (to be agreed).
23. Representative from joint stock company “MykolayvGaz” (to be agreed).
24. Representative from the center for maintenance of city telephone communication (to be agreed).
25. Two Board members of the association of entrepreneurs of Mykolayv Oblast (to be agreed).
26. Administrative officer of the city executive committee.

To the resolution of the city council dated 21.12.01., #1118

### **Regulation On the Unified Commission**

1. The Unified Commission shall be the advisory and approving authority established to eliminate legal, administrative, economic and organizational barriers that hamper business development in Mykolayv Oblast.
2. The operations of the Unified Commission shall be governed by the Constitution of Ukraine, the laws of Ukraine, Decrees of the President of Ukraine, Resolutions of the Cabinet of Ministers of Ukraine, ministries and agencies, local self-governance bodies, state construction regulations, as well as the provisions of this Regulation.
3. Deputy mayor on the issues related to the operation of the executive bodies of the city council shall chair the Unified Commission. The secretary of the Unified Commission shall organize its operations.
4. Personal composition of the Unified Commission shall be approved by the resolution of the city executive committee. The Unified Commission shall include the representatives from respective departments of the city council, Oblast and city-level supervisory authorities, enterprises and organizations, which grant the approval on placement and construction of the objects for public and industrial use, issue the permits for launching the operation of business objects, public organizations (NGOs) of entrepreneurs, and business entities.
5. The meetings of the Unified Commission shall be held every Wednesday starting at 2:00 p.m. in the assembly hall of the department for housing and communal services of the city council executive committee located at 7, Adm. Makarova Str.
6. The Commission members shall secure the following:
  - Provision of conclusions on the placement of objects;
  - Provision of technical requirements for design and construction works;
  - Approval of design estimates;
  - Approval of documents for receiving permits on performance of land works;
  - Approval of documents for receiving permits on the placement of business objects;
  - Approval of documents for receiving permits or conclusions on launching the operation of business objects;
  - Discussion and provision of recommendations on settlement of disputes, which may arise during the placement of business objects;
  - Preparation of proposals and recommendations to the city mayor regarding further reform of the procedures for granting permits (approvals, conclusions) to launch the operations of business objects.
7. Meetings shall be the principal format for the work of the Unified Commission.

The Commission members shall examine and discuss the documents received by the mayor, and approve or provide their conclusions on a separate sheet of paper.

The Commission members must attend the meetings of the Unified Commission, keep order during the meetings, as well as shall be entitled to put forward the proposals, discuss the issues being considered, and express their opinion regarding the documents they examine.

The Unified Commission secretary shall be entitled to determine the number of Commission members who grant the approval. When all duly prepared materials are available, the customers or their authorized representatives shall be mandated to participate in the work of the Commission.

If required, the Commission members shall make a site visit to examine the object.

8. In case of positive conclusion and following the respective payment, the Commission members shall provide their conclusion to the customer during the next meeting of the Commission.

In case of any disputes the Commission shall adopt a collective resolution, which shall be recorded in the minutes kept by the secretary of the Unified Commission. The minutes of the Unified Commission's meeting certified by the head of the Commission shall be deemed the official document confirming the discussion and adoption of conclusions by the Unified Commission.

In case of refusal to provide a positive conclusion, the Commission members shall give to the customer a written notice specifying the reasons for refusal. The following reasons shall be deemed valid for refusal:

- Non-observance of state construction standards (norms) during the preparation of materials;
- Non-compliance with instructions and regulations of respective ministries and agencies;
- Inaccuracy of data specified in the documents submitted by the customer to receive the conclusion;
- Non-compliance of submitted documents with the requirements established for the placement of the object specified in the application.

In case of refusal based on the inaccuracy of data in the submitted documents, non-compliance with the established requirements, non-observance of the state construction standards, instructions and regulations, which govern the placement of business objects, the customer may submit the documents for a repeated consideration after elimination of the reasons which served as a basis for refusal.

9. The Unified Commission shall use mass media to keep the public informed about its operations.

Administrative officer of the city executive committee

Y.I. Granaturov

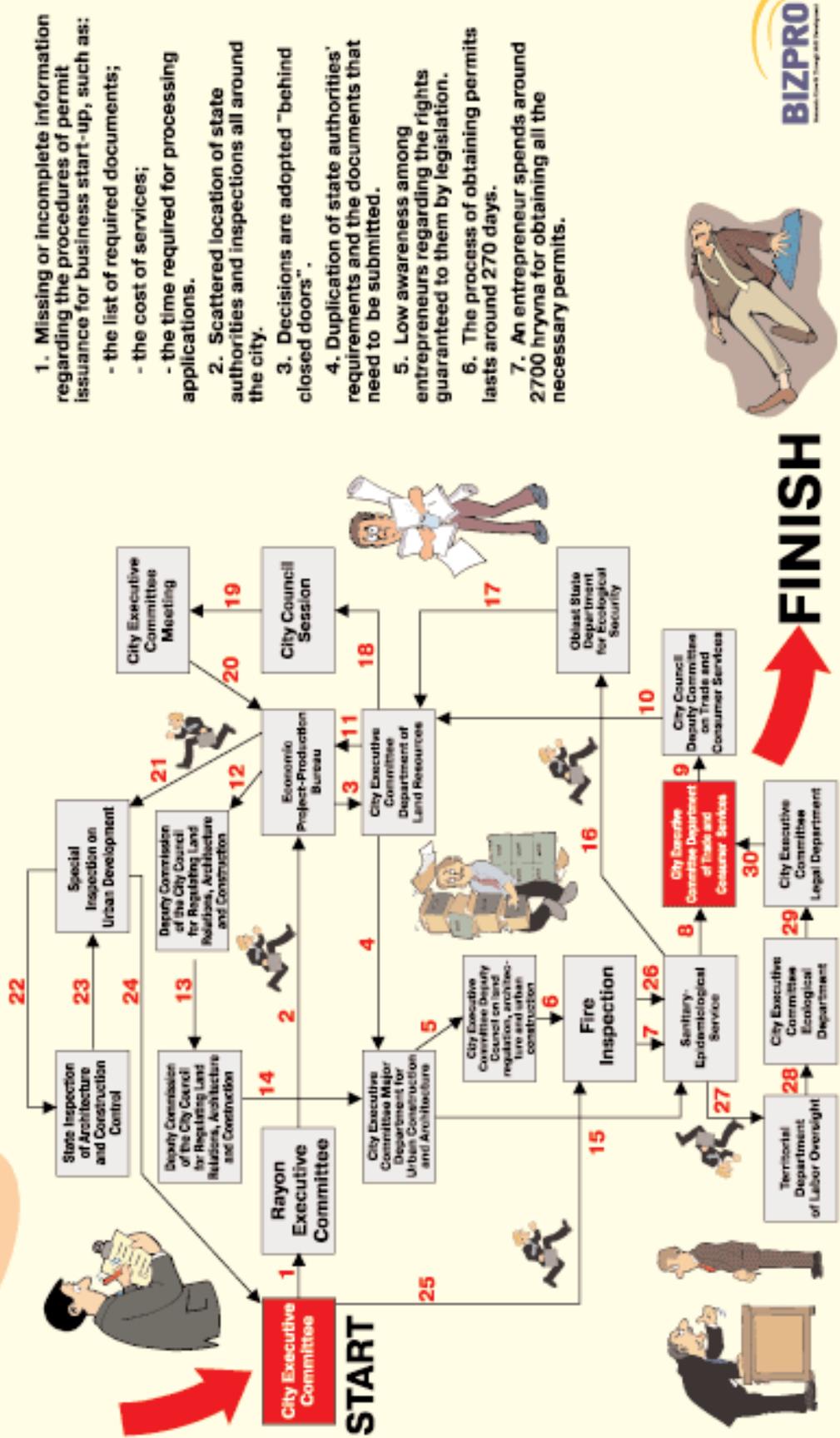
**ANNEX 6: Mykolaiv List of Coalition Members**

<b>Organization</b>	<b>Director</b>	<b>Address</b>
Entrepreneurs` Union of Mykolaiv Oblast	Valeriy Vetrov	45 V.Morska, str., Mykolaiv, 54030 Tel.: (0512) 63-27-28, 35-55-54; Fax: (0512) 35-63-48 e-mail: vetrov@ng.aip.mk.ua
Mykolaiv Oblast Council of Trade Unions of Entrepreneurs of All Types of Ownership	Natalia Berdnikova	45 V.Morska, str., Mykolaiv, 54030 Tel.: (0512) 35-95-30; Fax: (0512) 35-02-47; e-mail: hotline@aip.mk.ua
Guild of Organizers of Trade and Services in Mykolaiv	Vyacheslav Konovalov	2-a Mira pr., Mykolaiv, 54034, Tel/Fax: (0512) 21-01-18, 21-30-77

# MYKOLAIV: THE PROCESS OF OBTAINING PERMITS FOR BUSINESS START-UP USING THE EXAMPLE OF A SMALL ARCHITECTURAL FORM (tents, kiosks, etc.)

**BEFORE**

bureaucracy map



1. Missing or incomplete information regarding the procedures of permit issuance for business start-up, such as:
  - the list of required documents;
  - the cost of services;
  - the time required for processing applications.
2. Scattered location of state authorities and inspections all around the city.
3. Decisions are adopted "behind closed doors".
4. Duplication of state authorities' requirements and the documents that need to be submitted.
5. Low awareness among entrepreneurs regarding the rights guaranteed to them by legislation.
6. The process of obtaining permits lasts around 270 days.
7. An entrepreneur spends around 2700 hryvna for obtaining all the necessary permits.



**FINISH**

# MYKOLAIV: SCHEME OF THE ONE-STOP SHOP'S WORK AFTER

THE GENERAL COMMISSION ON COORDINATING PERMIT ISSUANCE FOR STARTING ENTREPRENEURIAL ACTIVITY

the work of the one-stop shop

1. Open and complete information regarding the procedure of permit issuance.
2. Decreasing entrepreneurs' route and time spent due to locating the representatives of state authorities in one place.
3. Transparent and open process of permit issuance.
4. Coordinating the requirements of various self-regulating and controlling authorities and avoiding duplication of their functions and submitted documents.
5. Monitoring of the permit issuance process by the representatives of public entrepreneur organizations.
6. The process of obtaining permits lasts about 90 days.
7. The cost of starting a business for an entrepreneur amounts to approximately 1 100 hryvna.

